2016 ANNUAL REPORT

CRÉDIT AGRICOLE
CARIPARMA | FRIULADRIA | CARISPEZIA

Crédit Agricole Italia Banking Group

Annual Report and Consolidated Financial Statements as at 31 December 2016

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Letter from the Chairman

2016 featured the confirmation of the previous signs of recovery in the Italian economy, with the GD increasing by 0.9%, but also several elements of political discontinuity and uncertainty, which caused volatility on the financial markets and continuous pressure on the banking system. Market rates were firmly negative and at their all-time lows. As regards the banking system, in 2016 the eagerly awaited process for the aggregation of several Groups, which, subsequently, has to strengthen their capital, thus reducing non-performing loans and implementing cost control policies.

In this challenging situation, the income and financial performance achieved in 2016 by the Crédit Agricole Italia Banking Group is even more considerable and is evidence of the progressive increase in intermediated assets (funding and lending), and of the Group's ability to generate good profitability, with firmly adequate capital and liquidity levels. The Group achieved a profit of Euro 208 million, net of the expenses for the Solidarity Fund and its extraordinary contribution to the Italian Single Resolution Fund (SRF). Net of these non-recurring elements, the profit would have come to Euro 256 million, up by 9% vs. the previous year.

The reporting period featured continuous growth, in line with the "Strategic Ambition 2020" Medium Term Plan, launched by Crédit Agricole in 2016.

The core of the Plan provides for Euro 625 million worth of investments for the Crédit Agricole Italia Banking Group by 2019, in order to achieve 2 million customers, both through the service model transformation towards a multichannel mode, to ensure better services to customers, and through a new task force of financial advisors. Alongside the above, to be mentioned are the focus on innovation, the creation of a digital platform for digitally inclined customers, further growth in mortgage loans and the development of the Agri-Food and Mid-Corporate business lines.

Crédit Agricole Cariparma continued and will continue to be committed to support businesses and households, combining its long-standing focus on the communities it operates in with its international soul as part of Crédit Agricole. The Crédit Agricole Group substantiated its strategy for Italy, its second domestic market where it operates with 12 thousand employees, 3.5 million customers and 15 companies that cover all the segments in the banking/financial/insurance industry, by acquiring Pioneer from UniCredit for a price of over Euro 3,5 billion, thus becoming one of the leading asset managers in Italy.

The resulting identity awareness has led to the evolution of the Bank's name and brand, to emphasize, on the one hand, the successful integration achieved over the last few years and, on the other hand, to set a new objective: to compete with the biggest players, relying on our belonging to one of Europe's leading groups.

The performance achieved in 2016, the investments planned for the future and the constant strengthening of cooperation with all Crédit Agricole entities in Italy are the bases that will allow us to be one of the main partners of the Italian economy.

The Chairman
Ariberto Fassati

Corporate Officers and Independent Auditors

Board of Directors

CHAIRMAN

Ariberto Fassati(*)

DEPUTY-CHAIRMEN

Xavier Musca

Fabrizio Pezzani(*)

CHIEF EXECUTIVE OFFICER

Giampiero Maioli(*)

DIRECTORS

Gian Domenico Auricchio(°)

Alberto Bertoli(°)

Evelina Christillin(°)

Daniel Epron

Alberto Figna(°)

Nicolas Langevin

Michel Mathieu(*)

Marc Oppenheim(*)

Thierry Pomaret

Jean-Louis Roveyaz

Annalisa Sassi(°)

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

Board of Statutory Auditors

CHAIRMAN

Paolo Alinovi

STANDING AUDITORS

Luigi Capitani

Maria Ludovica Giovanardi

Stefano Lottici

Germano Montanari

ALTERNATE AUDITORS

Alberto Cacciani

Roberto Perlini

Senior Management

CO-GENERAL MANAGER

Hughes Brasseur[1]

MANAGER IN CHARGE OF THE PREPARATION OF CORPORATE ACCOUNTING DOCUMENTS

Pierre Débourdeaux

INDEPENDENT AUDITORS

EY S,p,A,

(1) Left office on 31 December 2016

Key figures of the Crédit Agricole Italia Banking Group

Income statement data *(thousands of Euro)*	**2016**	**2015**	**2014**
Net operating revenues	1,712,290	1,772,894	1,728,570
Operating margin	651,755	765,106	770,956
Profit (loss)	208,124	220,636	160,155

Balance Sheet data *(thousands of Euro)*	**2016**	**2015**	**2014**
Loans to Customers	38,209,279	36,462,501	37,275,835
Funding from Customers	39,892,679	38,999,585	37,146,030
Indirect funding from Customers	64,892,521	60,198,338	56,976,170

Operating structure	**2016**	**2015**	**2014**
Number of employees	8,269	8,197	8,424
Number of branches	815	834	842

Profitability, efficiency and credit quality ratios	**2016**	**2015**	**2014**
Cost(°)/income ratio	56.3%	54.5%	55.4%
Net income/Average equity (ROE)	4.2%	4.6%	3.4%
Net income/Average Tangible Equity (ROTE)	6.7%	7.5%	5.8%
Net non-performing loans/ Net loans to Customers	7.6%	8.4%	8.0%
Total adjustments of non-performing loans/Gross non-performing loans	42.2%	40.5%	39.0%

Capital ratios	**2016**	**2015**	**2014**
Common Equity Tier 1 ratio	11.4%	11.4%	11.2%
Tier 1 ratio	11.8%	11.4%	11.2%
Total capital ratio	13.3%	13.5%	13.5%

(°) Net of the contributions to the Solidarity Fund and of the ordinary/extraordinary contributions to Deposit Guarantee Schemes (DGS) and to the Single Resolution Fund (SRF)

Significant events

FEBRUARY

For the eighth year in a row, the Crédit Agricole Cariparma Banking Group was awarded the Top Employers Italia official certification for the excellent work conditions it offers its employees; for the training and development policies implemented at all corporate levels; for its HR management strategies, thus proving a leader in the HR scope, committed to continuous improvement in the policies and Best Practices in the field of Human Resources.

MARCH

"*Ambizione Italia 2020*", the new business plan of the Crédit Agricole Italia Banking Group, provides for important investments to support a new phase of growth, leveraging on four strategic drivers: Customer centrality, new channels and the strengthening of our areas of excellence, people and development, rebranding.

The Crédit Agricole Italia Banking Group allocated Euro 130 million to support farms and agri-food businesses in accessing the European funds provided for by the new Rural Development Programme.

APRIL

An agreement was signed by and between the Crédit Agricole Italia Banking Group and the European Investment Bank (EIB) providing for Euro 80 million worth of loans intended for SMEs and Mid-Caps, with a specific focus on the needs of the agri-food industry. The credit lines opened by the Group will allow many SMEs and Mid-Caps to access loans at even more favourable conditions, thanks to the EIB's support.

MAY

NetMatching was launched, a digital platform of the Crédit Agricole Italia Banking Group which has been designed to provide networking opportunities to Italian businesses; it will foster the development of relationships, cooperation and partnerships with foreign players, as well as with other Italian enterprises of interest.

Crédit Agricole Carispezia and Crédit Agricole FriulAdria won the "*Milano Finanza* Global Awards" in the "Value Creators" category.

The 165 thousand downloads of the Nowbanking App confirmed the digital evolution of the customers of the Crédit Agricole Italia Banking Group. The Group started an extensive digital transformation project to become a leading player in the Italian banking scenario by providing services that are more and more able to meet the customers' requirements thanks to the streamlining of transactions and processes.

OCTOBER

The rebranding was successfully launched: the brand was changed to enhance our belonging to the Crédit Agricole Group and to increase the marker's and customers' awareness that we are a sound, innovative and reliable international bank.

The Crédit Agricole Italia Banking Group was given 3 awards within the tenth AIFIn Prize "*Banca e Territorio*" 2016 ("2016 Bank and Community Award"), for initiatives supporting local development, initiatives for the environment protection and community enhancement, as well as initiatives for Corporate Social Responsibility Reporting and communication.

The first Italian public offer of covered bond with 15-year duration. The issue, in a dual-tranche format, was received with considerable interest by investors, thanks to the excellent soundness acknowledged to the Crédit Agricole Italia Banking Group.

NOVEMBER

SACE (member of the *Cassa Depositi e Prestiti Group*) and Crédit Agricole Cariparma, once more together to promote the international growth of Italian enterprises. The latest initiative concerned a loan to Eldor Corporation, a company operating in the Automotive industry. SACE and Crédit Agricole Cariparma confirmed to be favourite partners in supporting internationalization projects of enterprises that manufacture "Made in Italy" products of excellence.

The Crédit Agricole Italia Banking Group and Edison signed an agreement providing enterprises that intend to invest in eco-efficiency and in reducing environmental impacts with dedicated services and financial solutions supporting these investments. In addition to the "*Cresco Green*" (I grow green) service package, Crédit Agricole Cariparma will structure, promote and supply financial products and services that are specifically dedicated to supporting the technical products supplied by Edison Energy Solutions.

Reggio Emilia will become greener thanks to 3,000 new trees that – within the "*Reggio Respira*" (Reggio breathes) programme promoted by the Municipality of Reggio Emilia – will be planted by spring 2017 in various areas of the city, with the cooperation of volunteers, schools, associations, citizens and with the contribution of private entities. The first 1,500 were planted by 21 November – the Italian National Tree Day – thanks to the contribution of Crédit Agricole Cariparma. Within green and environmental protection projects, in March 2015 the Group launched "*Gran Mutuo Green*", a home mortgage loan range which provides for a tree to be planted for every home loan taken out. The project continues.

The Crédit Agricole Italia Banking Group won the 52nd Financial Reporting Oscar. A competition promoted and organized by FERPI (the Italian Federation of Public Relations), which, since 1954, has been awarding the companies that are the most virtuous in financial reporting and in relations with stakeholders.

DECEMBER

The Crédit Agricole Italia Banking Group and the European Investment Bank (EIB) signed an agreement providing for Euro 100 million worth of loans intended for SMEs and Mid-Caps.

THE CRÉDIT AGRICOLE GROUP WORLDWIDE

1st Bancassurer in Europe

1st Asset Manager in Europe

138 thousand staff

50 million Customers worldwide

THE CRÉDIT AGRICOLE GROUP
IN ITALY

3,2
billion

Euro worth of revenues

3,5
million

Customers in Italy

132
billion

Customers' deposits and funds under management

12
thousand

Staff

64
billion

Loans to the Italian economy

CRÉDIT AGRICOLE GROUP ITALIA

CRÉDIT AGRICOLE CARIPARMA | FRIULADRIA | CARISPEZIA
AGOS
FCA BANK
CRÉDIT AGRICOLE LEASING
CRÉDIT AGRICOLE EUROFACTOR
CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK
Amundi ASSET MANAGEMENT
CRÉDIT AGRICOLE CREDITOR INSURANCE
CRÉDIT AGRICOLE VITA
CRÉDIT AGRICOLE ASSICURAZIONI
caceis INVESTOR SERVICES
INDOSUEZ WEALTH MANAGEMENT
INDOSUEZ FIDUCIARIA
CRÉDIT AGRICOLE GROUP SOLUTIONS

Profile of the Crédit Agricole Italia Banking Group

The Crédit Agricole Italia Banking Group, through its commercial banks **Crédit Agricole Cariparma, Crédit Agricole FriulAdria and Crédit Agricole Carispezia**, operates in the 10 Italian Regions that account for 71% of the population and generate 79% of the Italian GDP.

With its distinctive positioning based on Customer centrality, the Group is a proximity banking player that covers all market segments.

RETAIL
with 815 branches and 26 Small Business centers

PRIVATE
with 21 Private Banking markets

CORPORATE BANKING
with 20 mid-corporate markets and 1 large-corporate area

FINANCIAL ADVISORS
with 5 markets

Listening to Customers, confidence, social responsibility, innovation, internationality and quality are the values informing the Group's identity and its commercial offer, which is today based on the following pillars:

- **Omnichannel mode**, which allows Customers to choose the interaction mode they prefer at any time, inside and outside the Branch;
- **An innovative and digitally integrated advisory service on investments**, which has been designed to meet the expectations of the most demanding Customers through its own Network of Financial Advisors;
- **A complete service model in the Large Corporate segment,** thanks to the important business synergies with the other companies of the Crédit Agricole Italia Group;
- A complete range **of products and specialist advice for the agri-food sector**, with areas, both at the Branches and on the Web, dedicated to young entrepreneurs;
- **The International Desk service assisting small and medium enterprises in their international development operations** thanks to professionals with proven expertise in domestic and foreign markets; the service is part of a network of Crédit Agricole with centers all over the world;
- **A new brand** that enhances and stresses the belonging to a big **international group**.

Its belonging to a sound international group such as Crédit Agricole strengthens **the soundness of the Crédit Agricole Italia Banking Group** and reasserts its ranking at the top of the Italian banking system.

CAPITAL SOUNDNESS AS AT 31 DECEMBER 2016: CET 1 11.4% (TOTAL CAPITAL RATIO 13.3%)

LONG-TERM RATING **A3** MOODY'S 12 JANUARY 2016

CRÉDIT AGRICOLE CARIPARMA

Parent Company of the Crédit Agricole Italia Banking Group, it is strongly rooted in the communities it operates in and originated from local banks. In addition to its provinces of origin, Parma and Piacenza, it **operates in Italy's most productive cities**: Turin, Milan, Florence, Bologna, Rome and Naples.

612 points of sale

28.9 Bln€ worth of loans

85.9 Bln€ worth of total funding

CRÉDIT AGRICOLE FRIULADRIA

In 2007, Crédit Agricole FriulAdria became part of the Group, with the objective of expanding its operations to cover the entire Triveneto Region. It has **15,000 mutual shareholders**, who give evidence of its strong bond with the local fabric; today it is a reference point for households and businesses in North-eastern Italy, and is implementing a **significant project to expand operations to the Veneto Region**.

205 points of sale

6.8 Bln€ worth of loans

14.0 Bln€ worth of total funding

CRÉDIT AGRICOLE CARISPEZIA

Carispezia, one of the **oldest savings banks in Italy**, joined the Group in 2011. It is the market leader in the original provinces of operation, La Spezia and Massa Carrara; in 2016 it launched a **project to expand operations to Western Liguria**, branching out to the markets of Genoa, Savona and Imperia.

97 points of sale

2.6 Bln€ worth of loans

6.5 Bln€ worth of total funding

CRÉDIT AGRICOLE LEASING

Crédit Agricole Leasing operates in the property, equipment, vehicle and energy leasing segments. **At the end of 2016 its loan portfolio amounted to Euro 2 Bln €**.

CRÉDIT AGRICOLE GROUP SOLUTIONS

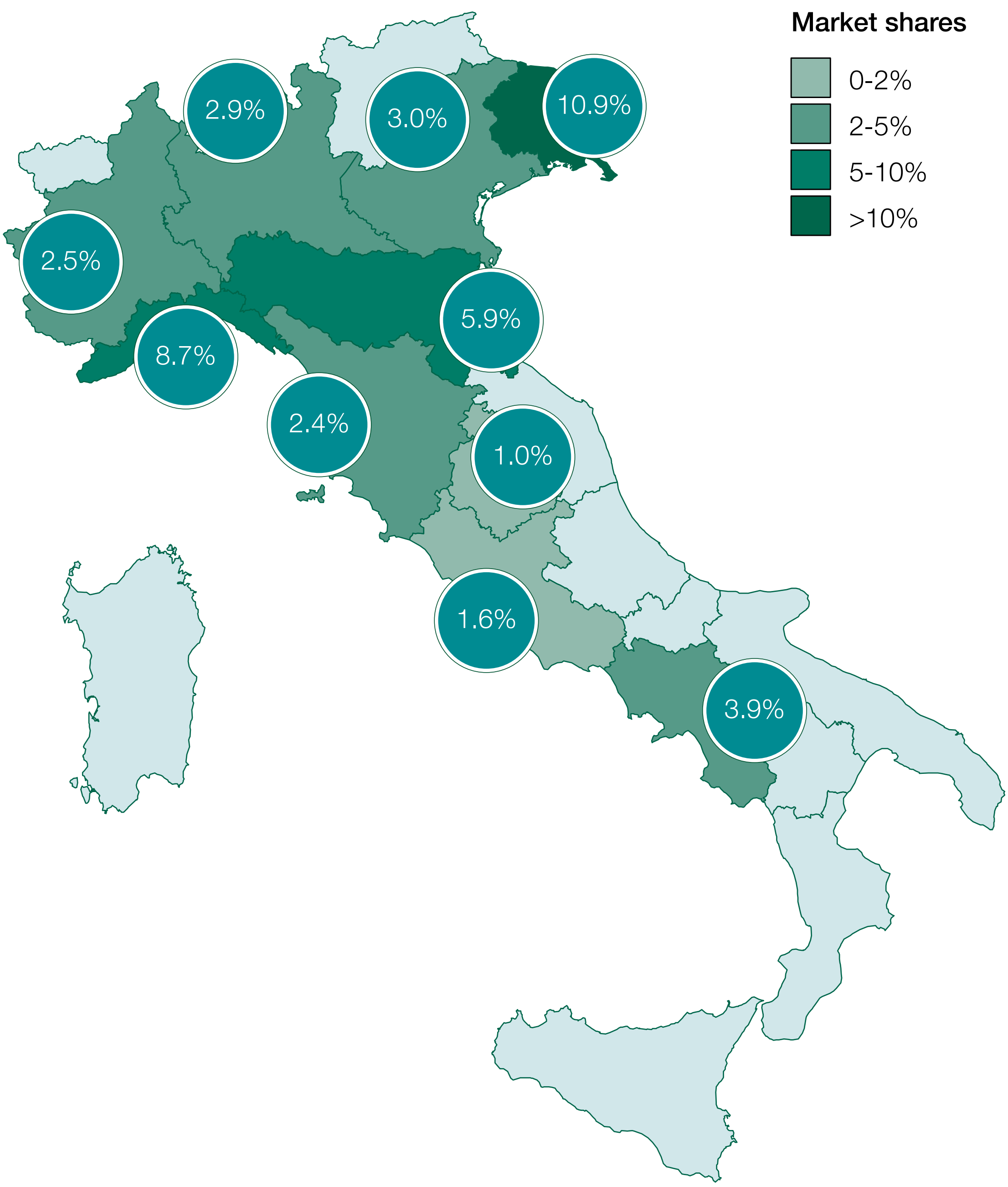
CAGS is the consortium company of the **Crédit Agricole Italia Banking Group** in charge of all activities relating to Operational Processes, Information Systems, Technical Logistics, Safety and Security, Business Continuity, Purchases and Real Estate Management, as well as Human Resources Administration.

914 points of sale

8,200 Employees

1,700,000 Customers

Lending and total funding as at 31 December 2016.



Notes
- System data – source: Bank of Italy, 30 June 2016
- Crédit Agricole Italia Banking Group data as at 31 December 2016

Crédit Agricole Italia Banking Group
2016 Annual Report and Financial Statements

Consolidated financial highlights and ratios

Income Statement highlights(°) *(thousands of Euro)*	**31.12.2016**	**31.12.2015**	**Changes**	
			absolute	**%**
Net interest income	932,093	1,010,971	–78,878	–7.8
Net fee and commission income	708,732	709,986	–1,254	–0.2
Dividends	8,742	7,570	1,172	15.5
Net income from banking activities	61,566	44,425	17,141	38.6
Other operating income (expenses)	1,157	–58	1,215	
Net operating income	1,712,290	1,772,894	–60,604	–3.4
Operating expenses	–1,060,535	–1,007,788	52,747	5.2
Operating margin	651,755	765,106	–113,351	–14.8
Provisions for risks and charges	–17,277	–12,716	4,561	35.9
Impairments of loans	–306,025	–402,161	–96,136	–23.9
Net profit for the year	208,124	220,636	–12,512	–5.7

Balance Sheet highlights(°) *(thousands of Euro)*	**31.12.2016**	**31.12.2015**	**Changes**	
			absolute	**%**
Loans to Customers	38,209,279	36,462,501	1,746,778	4.8
Net financial assets/liabilities held for trading	–11,325	–9,538	1,787	18.7
Financial assets available for sale	5,423,218	5,808,849	–385,631	–6.6
Equity investments	10	2,583	–2,573	–99.6
Property, plant and equipment and intangible assets	2,407,321	2,381,582	25,739	1.1
Total net assets	48,516,208	48,396,134	120,074	0.2
Net due to banks	552,333	1,420,518	–868,185	–61.1
Funding from Customers	39,892,679	38,999,585	893,094	2.3
Indirect funding from Customers	64,892,521	60,198,338	4,694,183	7.8
of which: asset management	28,147,666	25,454,905	2,692,761	10.6
Equity	5,081,710	4,923,547	158,163	3.2

Operating structure	**31.12.2016**	**31.12.2015**	**Changes**	
			absolute	**%**
Number of employees	8,269	8,194	75	0.9
Average number of employees(§)	7,827	7,798	29	0.4
Number of branches	815	834	–19	–2.3

(°) Income statement and balance sheet data are those restated in the reclassified financial statements shown on pages 25 and 33.

(§) 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 is conventionally weighted at 50%.

Structure ratios(°)	31.12.2016	31.12.2015
Loans to customers/Total net assets	78.8%	75.3%
Direct funding from Customers/Total net assets	82.2%	80.6%
Asset management/Total indirect funding from Customers	43.4%	42.3%
Loans to Customers/Direct funding from Customers	95.8%	93.5%
Total assets/Equity	10.4	10.4

Profitability ratios(°)	31.12.2016	31.12.2015
Net interest income/Net operating income	54.4%	57.0%
Net fee and commission income/Net operating income	41.4%	40.0%
Cost(*) /income ratio	56.3%	54.5%
Net profit/Average equity (ROE)(a)	4.2%	4.6%
Net profit/Average Tangible Equity (ROTE)(a)	6.7%	7.5%
Net profit/Total assets (ROA)	0.4%	0.4%
Net profit/Risk-weighted assets	0.9%	0.9%

Risk ratios(°)	31.12.2016	31.12.2015
Gross bad loans/Gross loans to Customers	7.2%	7.1%
Net bad loans/Net loans to Customers	3.2%	3.2%
Impairments of loans/Net loans to Customers	0.8%	1.1%
Cost of risk(b)/Operating margin	49.6%	54.2%
Net bad loans/Total Capital(c)	38.2%	36.8%
Net non-performing loans/Net loans to Customers	7.6%	8.4%
Impairments of non-performing loans/Gross non-performing loans	42.2%	40.5%

Productivity ratios(°) (in income terms)	31.12.2016	31.12.2015
Operating expenses/No. of Employees (average)	135.5	129.2
Operating income/No. of Employees (average)	218.8	227.4

Productivity ratios (in financial terms)	31.12.2016	31.12.2015
Loans to customers/No. of Employees (average)	4,882	4,676
Direct funding from Customers/No. of Employees (average)	5,097	5,001
Gross banking income(f) /No. of Employees (average)	18,269	17,397

Capital ratios	31.12.2016	31.12.2015
Common Equity Tier 1(d)/Risk-weighted assets (CET 1 ratio)	11.4%	11.4%
Tier 1(e)/Risk-weighted assets (Tier 1 ratio)	11.8%	11.4%
Total Capital(c)/Risk-weighted assets (Total capital ratio)	13.3%	13.5%
Risk-weighted assets (Euro thousands)	24,129,855	23,387,753

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements shown on pages 25 and 33
(*) Net of contributions to SRF/DGS and of the Solidarity Fund provision.
(a) Ratio of net earnings to equity weighted average (for ROTE net of intangibles).
(b) Total risk cost includes the provision for risks and charges, as well as net value adjustments of loans.
(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 Customers + Direct Funding + Indirect Funding.

Management Report to the Consolidated Financial Statements

THE MACROECONOMIC SCENARIO AND THE FINANCIAL SYSTEM

THE INTERNATIONAL MACROECONOMIC SCENARIO IN 2016[(1)]

The world economy started a phase of modest growth at the end of 2015, which continued in 2016 confirming a **limited expansion** and the **fragility of the world economy**.

Low prices of commodities, the performance of emerging economies, the US monetary policy, the gradual rebalancing of the Chinese economy and the uncertain geopolitical situation affected the international scenario, causing, in January and February, high volatility of financial markets, which went back to more stable conditions in the following months. The outcome of the **UK referendum** of 23 June, in which UK citizens have expressed the will to leave the European Union, generated new, strong volatility of the markets, with subsequent negative impacts in political and economic terms, but with no recession effects.

The result of the United States presidential elections in November did not generate immediate negative effects on the markets, but new uncertainties arose subsequent to the policies decidedly breaking with the past, as announced by the new administration, especially as regards a new internal policy mix (more expansive taxation policy, less certain monetary policy, increase in public debt and deficit) and return to protectionism.

Monetary policies

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

- The **Fed** started a phase of increasing interest rates at the end of 2015, which continued, even though at a slower pace than announced, in December 2016 with an increase of 0.25 points and with the announcement of another three increases of the same amount in 2017;
- Conversely, the **European Central Bank** continued to implement expansionary monetary policies, such as: The **Expanded Asset Purchase Programme, APP** (a programme for the purchase of private sector securities and public sector securities to support the Euro Area recovery which will continue at least until December 2017); **interest rate on the main refinancing operations (MRO)** was decreased to its all-time low and set at 0% (from 0.05%) and the **rate on the deposit facility, which banks may use to make overnight deposits with the ECB,** which was decreased to -0.40%; **TLTRO II** (the ECB long-term liquidity refinancing to support the real economy, implemented since June 2016 with maturity in 2021).

Main economies

In this scenario, in 2016 the Gross World Product (GWP) increased by +2.8% despite its deceleration vs. 2015. Performances continued to be uneven in the various geographical areas and the difference was more marked within emerging economies:

- The **United States** continued in their phase of growth, with the GDP increasing by +1.6% mainly in the last part of the year, mainly driven by household consumption;

Source: Forecast Report, March 2017

- **Japan** recorded economic growth (GDP up by +1.0%), driven by the building sector (which was, in its turn, driven by public support programmes);
- The economy of **China** increased by +6.7% thanks to its industrial output and ot public investments;
- **India** posted a +7.4% increase in added value, thanks to a considerable increase in private consumption;
- **Brazil** economy continued to decrease (GDP down by -3.6%) due to weak domestic demand and low net exports;
- **Russia** continued in recession (the GDP decreased: down by -0.9%); the economy has been featuring difficulties in the manufacturing industry, the decrease in real salaries and inflation at its all-time low;
- The economy of the **United Kingdom,** despite a robust performance (the GDP increased: Up by +1.8%), has been impacted by the strategy to negotiate the exit from the EU and by the increased complexity in the political scenario.

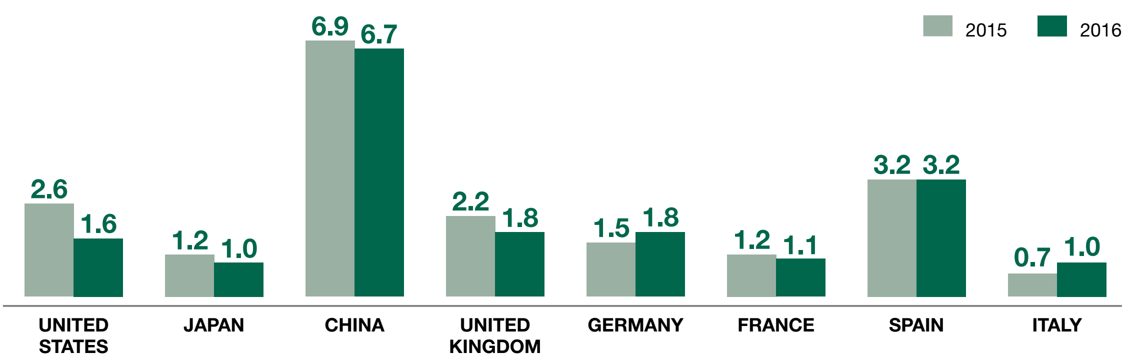
EURO AREA

The **economy** of the Euro Area is continuing to recover: **In 2016 the GDP increased by +1.7%,** mainly driven by domestic demand (which was, in its turn, driven by favourable financial conditions and by the monetary policy measures implemented by the ECB), by the improvement in the labour market and by low modest inflation.

On the other hand, growth was hindered by the weak performance of international trade, by uncertainty factors (Brexit, a new balance to be established with the United States, the elections in EU Countries) that are bound to have higher impact in the coming years.

France posted a +1.1% increase, benefiting from restocking mainly in the sectors of vehicles and energy; **Germany** increased by +1.8% despite the slowdown in exports, which was offset by the increase in domestic demand; in **Spain** the increase in domestic demand offset the decrease in the contribution from the foreign trade sector, with the economy increasing by +3.2%.

GDP: % YOY change



Source: Prometeia, Forecast Report – March 2017.

THE ITALIAN ECONOMY

Despite the many uncertainty factors described above, at the end of 2016 the Italian economy achieved **a +1.0% increase in the GDP**, a performance that is lower than the European one but also the best one in the slow recovery that started in 2013.

Recovery continued to be driven by **domestic demand** (up by +1.5%), thanks to the support provided by economic policies and to the improvement in the economic and financial conditions, as well as in the labour market. **Investments** proved very active (up by +3.1%), **exports** gave a lower contribution than in the previous year (+2.6%) but increasing especially in the fourth quarter.

Consumption overall increased by +1.3% vs. December 2015, experiencing an expansionary phase, mainly due to the increase in consumption of durable goods: vehicle registrations made by both natural and legal person increased appreciably in the first quarter, then slowed down in the second and third quarters and recovered in the last months of the year. Conversely, the consumption of semi-durable goods decreased.

Consumer confidence(2) progressively improved in the year across all components: confidence increased as regards personal and current climate, as did the component regarding expectations. As to the Country's economic situation, after months on the decrease, both judgements on the present situation and expectations for the future returned to improve. Analyzing the views on the performance of consumer prices, opinions and expectations for a decrease in prices were found to prevail. Expectations on employment also improved: a decrease in unemployment is expected.

As regards **businesses,** confidence overall worsened due to decreasing confidence in the building and service industries, whereas confidence in the manufacturing industry and retail commerce recovered.

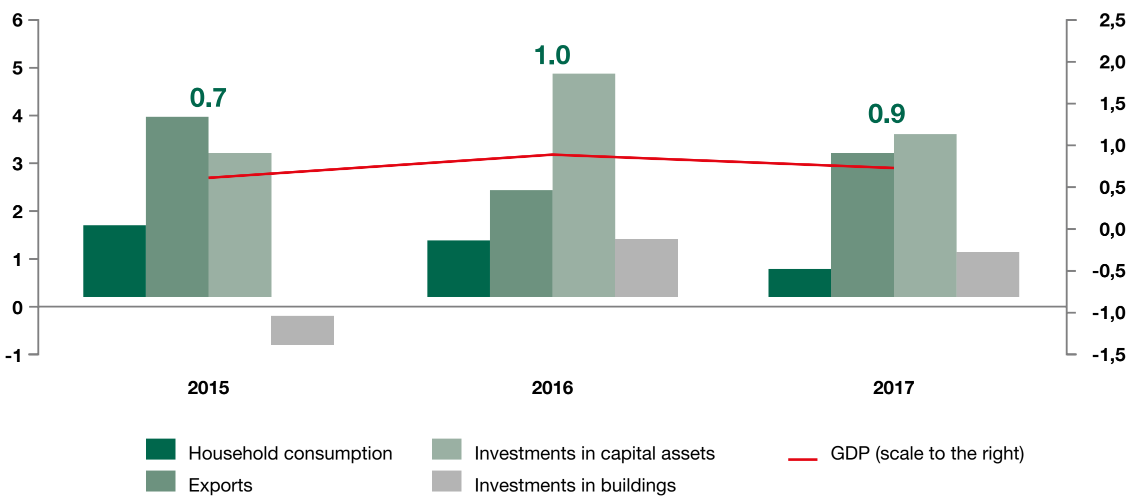
Total investments were estimated increasing by **+1.9% vs. December 2015:** In the second half of 2016, **investments** in machinery and vehicles gathered momentum, whereas the building sector was still experiencing difficulties.

The annual **industrial output** has been estimated as increasing by +1.4%; tendentially(3), indexes posted a marked increase in the sectors of energy, capital assets and intermediate goods, whereas consumer goods decreased.

The **unemployment rate**(4) showed an increasing trend: in December 2016 it came to 12% (youth unemployment to 40%); the number of employed persons also increased (employment rate came to 57.3%) thanks to the increase in permanent employees and to the decrease in NEETs (young people not in employment, education or training).

On average, in 2016 **consumer prices**(5) decreased (down by -0.1%): it had not happened since1959 (when the decrease was -0.4%). "Core inflation", calculated net of fresh foods and energy products that have very volatile prices, remained positive (+0.5%) even though growing at a slower rate (+0.7% in 2015)

Italy: GDP and its components



Source: Prometeia, Forecast Report – March 2017.

(2) Source: ISTAT (the Italian National Institute of Statistics), Flash press release on Consumer and Business Confidence (December 2016).

(3) Source: ISTAT (the Italian National Institute of Statistics), Flash press release on Industrial Output (January 2017).

(4) Source: ISTAT (the Italian National Institute of Statistics), press release on Employed and Unemployed Persons (January 2017).

(5) Source: ISTAT (the Italian National Institute of Statistics), Flash press release on Consumer Prices (January 2017).

THE BANKING SYSTEM

The difficult scenario continues to impact on the banking system, which, in the year, was subject to some important measures aimed at strengthening and stabilizing it:

- In April, the **Government guarantee on bad loan-backed securities (Italian acronym GACS)** came into force and provides intermediaries with the possibility to buy a Government guarantee on senior tranches (that is to say, the least risky ones), of bad loan-backed securities, paying to the State structured commissions. GACS aims at curbing the risk for the subscribers of these securities and at fostering the decrease in bad loans.
- In April, the **Atlante** private equity fund was also created with the objective of supporting capital increases to be made by Italian banks experiencing difficulties, in order to prevent their distress or any subsequent resolution and to purchase securities backed by bad loans disposed of by the banks. The fund initial capital was Euro 4.3 billion, of which Euro 1.5 billion were to recapitalize Banca Popolare di Vicenza and Euro 1 billion for Veneto Banca. In order to develop the market of non-performing loans, in August the **Atlante II** fund was added, which invests in so-called mezzanine and junior financial instruments, issued by special-purpose entities set up to purchase Non Performing Loan portfolios from several Italian banks.
- In June the so-called **"Bank Decree"** (Italian Decree Law No. 59 converted in June into Law No. 119/2016) was approved, which provides for measures that extend guarantees on loans and reduce the time for their collection, trying to fill the gap vs. other European Countries. The so-called "***patto marciano***" has been introduced, which provides for out-of-court assignation of property securing loans, the creditor can obtain the property securing the loan in 7-8 months vs. the 40 months as required, on average, for court proceedings. The "*patto marciano*" may be entered into on new loans and on existing ones upon their renegotiation. The "**non-possessory pledge**" (registered pledge) on movable assets has been strengthened: entrepreneurs, who shall be entered in a specific eletronic register held by the *Agenzia delle Entrate* (the Italian Inland Revenue Agency), can establish a non-possessory pledge to secure the loans granted to them, both present and future ones.
- On 17 June 2016, the ***Fondo Interbancario di Tutela dei Depositi*** (Interbank Deposit Protection Fund) increased the voluntary scheme ceiling to Euro 700 million, and the scheme was used for the first time to recapitalize *Cassa di Risparmio di Cesena*.
- At the end of June, with the EU's approval, it was announced that, for 6 months, the Italian Government may issue its **guarantee on the debt of solvent banks for newly-issued senior bonds**, with a ceiling at Euro 150 billion; it is a precautionary measure in case of any sudden liquidity shortage.
- On 23 December 2016, the Italian Council of Ministers approved another "**Savings Protection Decree"** (Italian Decree Law 237/2016), which was required to handle banks experiencing difficulties (especially Monte dei Paschi di Siena) and to ensure the System's soundness, with a maximum total allocation of Euro 20 billion. After the attempt to recapitalize MPS on the market failed, the Italian **Department of Treasury should become its majority shareholder** subscribing the required share capital increase, with the objective of transferring such equity investment within a reasonable timeframe, once the recovery process is completed.

Subsequent to the requirement for Italian *banche popolari* (i.e. cooperative banks) to be transformed into joint-stock companies, **the combination scenario is continuously evolving.** Several restructuring and merger transactions are underway, which, in 2017, will rationalize the Italian banking system; the most important ones are: in 2017 Banco BPM will be set up, in accordance with the 2016 agreements by and between Banco Popolare and Banca Popolare di Milano; UBI agreed to acquire Nuova Banche Marche, Nuova Banca Etruria and Nuova Carichieti.

FINANCIAL AND CREDIT MARKETS[6]

Despite the monetary policies implemented by the ECB and the measures implemented by the Italian Government, in the banking system credit risk continues to be high and

(6) Source: ABI Monthly Outlook

profitability remains low due to interest rates at their all-time low: the average 3M **Euribor** in December 2016 came to -0.32%.

Low interest rates and the effects of the unconventional monetary policy measures implemented by the ECB supported the performance of money and credit:

- In December 2016, the **interest rates** applied to loans to customers decreased again: the average rate on total loans came to 2.85%, at a new all-time low record; rates on new loans were also very low (home loans: 2.02%; loans to businesses: 1.54%);
- The data of December 2016[7] show that **loans to households and businesses net of bad loans decreased by -0.9%** vs. December 2015. The market recovery for **mortgage loans** continued, which drove growth in the household segment, whereas businesses still showed some slowdown;
- **Bad loans** continue to impact on credit quality, but the sales made in the year reduced their amount: at the end of November 2016, net bad loans came to Euro 85.2 billion, decreasing by over 4% from the peak of Euro 89 billion reached at the end of November 2015. The weight of bad loans on total loans came to 4.80% in November 2016, decreasing from 4.91% at the end of 2015;
- At the end of 2016, direct **funding** (deposits from resident customers and bonds) posted a YOY decrease of -1.3%. The medium-/long-term funding component progressively decreased, with bonds down by
- -19.9% vs. December 2015, with a concomitant increase in deposits (up by +4.2% vs. December 2015) or in asset management products, which proved more profitable for customers in a phase of interest rates at their all-time low. In 2016, the yields on direct funding also decreased: the average **interest rate** on funding was 0.97%, vs. 1.19% in 2015;
- 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 2016 it came to 188 basis points decreasing vs. 207 basis points in December 2015;
- As regards the **asset management industry**[8], at the end of the reporting year, the system reported Euro 55 billion worth of net total funding. The assets managed came to its new all-time high of Euro 1,937 billion, increasing by +5.6% vs. December 2015. Open-end funds proved the main drivers achieving Euro 34 billion worth of net funding. Investors preferred especially bonds;
- In terms of income, 2016 **profits** of the banking industry have been estimated[9] significantly decreasing vs. the previous year, mainly due to non-recurring adjustments of loans, to costs for restructuring and personnel reduction, as well as to the modest contribution of net income.

PERFORMANCE OF OPERATIONS

In a quite complex economic and regulatory scenario, affected by several uncertainty factors, in 2016, the Crédit Agricole Italia Banking Group proved once again able to achieve significant business performances and to further improve its profitability profile. Total intermediated assets came to over Euro 140 billion, increasing by 5% vs. the previous year.

Specifically, total funding increased (up by +5.6% vs. 2015), also driven by the issue of Euro 1.5 billion worth of Covered Bonds in October 2016, while total loans increased to Euro 38 billion (up by +5% vs. 2015).

In profitability terms, the Group made a net profit of Euro 208 million. The above figure reports net profit after the recognition of the expenses for the Solidarity Fund and of the extraordinary contribution to the Single Resolution Fund (Euro 51 and 24 million before taxes, respectively). Net of these effects, the operating profit would come to Euro 256 million.

(7) Source: Data on a Sample of the Italian Banking Association (ABI)
(8) Source: Assogestioni (the Italian National Association of Asset Management Firms), Asset Management Monthly Map, (December 2016)
(9) Source: Prometeia Bank Financial Statement Forecast (January 2017)

THE PERFORMANCE OF BALANCE SHEET AGGREGATES

Reclassification of the Balance Sheet

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

- Presentation of Financial Assets/Liabilities held for trading on a net basis;
- Presentation of Loans to banks/Due to banks on a net basis;
- Inclusion of the value of hedging Derivatives and of the Value Adjustment of financial assets/liabilities subject to macro-hedging in the Other Assets/Other Liabilities items;
- Grouping of Intangible Assets and Property, Plant and Equipment into a single aggregate;
- Inclusion of the item "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;
- 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	31.12.2016	31.12.2015	Changes	
			Absolute	%
Financial assets available for sale	5,423,218	5,808,849	–385,631	–6.6
Loans to Customers	38,209,279	36,462,501	1,746,778	4.8
Equity investments	10	2,583	–2,573	–99.6
Property, plant and equipment and intangible assets	2,407,321	2,381,582	25,739	1.1
Tax assets	1,087,730	1,177,577	–89,847	–7.6
Other assets	1,388,650	2,563,042	–1,174,392	–45.8
Total assets	**48,516,208**	**48,396,134**	**120,074**	**0.2**

Liabilities	31.12.2016	31.12.2015	Changes	
			Absolute	%
Net due to banks	552,333	1,420,518	–868,185	–61.1
Funding from Customers	39,892,679	38,999,585	893,094	2.3
Net Financial Assets/Liabilities held for trading	11,325	9,538	1,787	18.7
Tax liabilities	200,227	335,429	–135,202	–40.3
Other liabilities	2,232,332	2,197,055	35,277	1.6
Specific-purpose provisions	339,704	295,860	43,844	14.8
Share capital	876,762	876,762	–	–
Equity instruments	200,000	–	200,000	100.0
Reserves (net of treasury shares)	3,810,253	3,749,534	60,719	1.6
Valuation reserves	–13,429	76,615	–90,044	
Equity attributable to minority interest	205,898	214,602	–8,704	–4.1
Net profit (Loss) for the year	208,124	220,636	–12,512	–5.7
Total liabilities and shareholders' equity	**48,516,208**	**48,396,134**	**120,074**	**0.2**

Reconciliation of the official balance sheet and the reclassified balance sheet

Assets	31.12.2016	31.12.2015
Financial assets designated at fair value	**–**	**–**
30. Financial assets designated at fair value	–	–
Financial assets available for sale	**5,423,218**	**5,808,849**
40. Financial assets available for sale	5,423,218	5,808,849
Loans to Customers	**38,209,279**	**36,462,501**
70. Loans to Customers	38,209,279	36,462,501
Equity investments	**10**	**2,583**
100. Equity investments	10	2,583
Property, plant and equipment and intangible assets	**2,407,321**	**2,381,582**
120. Property, plant and equipment	519,140	487,556
130. Intangible Assets	1,888,181	1,894,026
Tax assets	**1,087,730**	**1,177,577**
140. Tax assets	1,087,730	1,177,577
Other assets	**1,388,650**	**2,563,042**
10. Cash and cash equivalents	223,966	1,390,189
160. Other assets	406,384	469,207
80. Hedging derivatives (Assets)	749,490	692,455
90. Fair value change of financial assets in macro-hedge portfolios	8,810	11,191
Total assets	**48,516,208**	**48,396,134**

Liabilities	31.12.2016	31.12.2015
Net due to banks	**552,333**	**1,420,518**
10. Due to banks	4,936,319	4,289,627
60. Loans to banks	–4,383,986	–2,869,109
Funding from Customers	**39,892,679**	**38,999,585**
20. Due to Customers	31,136,638	28,402,451
30. Debt securities issued	8,756,041	10,597,134
Net financial Liabilities/Assets held for trading	**11,325**	**9,538**
40. Financial liabilities held for trading	103,135	117,472
20. Financial assets held for trading	–91,810	–107,934
Tax liabilities	**200,227**	**335,429**
80. Tax liabilities	200,227	335,429
Non-current liabilities held for sale and discontinued operations	**–**	**–**
Other liabilities	**2,232,332**	**2,197,055**
100. Other liabilities	932,931	990,561
60. Hedging derivatives (Liabilities)	748,527	670,155
70. Fair value change of financial liabilities in macro-hedge portfolios	550,874	536,339
Specific-purpose provisions	**339,704**	**295,860**
110. Employee severance benefits	146,378	144,318
120. Provisions for risks and charges	193,326	151,542
Capital	**876,762**	**876,762**
180. Capital	876,762	876,762
Equity instruments	**200,000**	**–**
150. Equity instruments	200,000	
Reserves (net of treasury shares)	**3,810,253**	**3,749,534**
160. Reserves	1,078,826	1,014,072
170. Share premium reserve	2,735,462	2,735,462
190. Treasury Shares	–4,035	–
Valuation reserves	**–13,429**	**76,615**
130. Valuation reserves	–13,429	76,615
Equity attributable to minority interest	**205,898**	**214,602**
210. Equity attributable to minority interest	205,898	214,602
Net profit (Loss) for the year	**208,124**	**220,636**
200. Net profit (Loss) for the year	208,124	220,636
Total liabilities and equity	**48,516,208**	**48,396,134**

Loans to Customers

As at 31 December 2016, loans to Customers came to Euro 38.2 billion, increasing by 4.8% YOY. This performance was driven by both mortgage loans, which came to Euro 22.7 billion (up by +4.9%), especially "home loans" (over 23,500 new ones in the year, up by +12% vs. 2015), and by other loans intended to support businesses (loans to the economy up by +6%). As regards short-maturity technical forms, affected by a still fragile macroeconomic scenario, the bank's operations focused on advances and credit facilities, and especially on technical forms that allow pricing that is favourable to customers (also based on the fact that the relevant assets are eligible for operations with the ECB).

Credit quality

The development in volumes was achieved with constant focus on credit quality, with a significant decrease in the weight of gross non-performing loans over total loans to customers in the reporting year (from 13.3% to 12.4%, specifically in Unlikely to Pay positions – only bad loans posted a slight increase) thanks also to a decrease in the number of positions that became non-performing and a concomitant increase in the coverage ratio (from 40.5% to 42.2%). In the reporting period, some sales of bad loans were made (for a total gross amount of approximately Euro 150 million).

Funding from Customers

Giving evidence of Customers' confidence and trust in the Group, in the reporting period total funding (Euro 105 billion as at 31 December 2016) increased by Euro 5.6 billion vs. 2015 (up by +6%), driven both by the direct funding component (up by +2%, i.e. Euro +893 million) and especially by the indirect funding component (up by +8%, i.e. Euro +4.7 billion).

The development in direct funding (which, as at 31 December 2016, came to Euro 39.9 billion) was driven by current accounts whose balances increased to Euro 28.7 billion (up by Euro +3.5 billion vs. 2015, i.e. +14%), substantiating Customers' preference for more liquid forms of deposit.

As regards "Debt securities issued", the Group's activities focused on the issue of Covered Bonds, which, thanks to better and better reception by the market, allows funding to be stabilized on long maturities and with advantageous costs: in 2016 the Group placed another Euro 1.5 billion worth of covered bonds (of which Euro 750 million maturing in 8 years at a rate equal to MS+0.25% and Euro 750 million maturing in 15 years – the first Italian public operation with such a maturity – at a rate equal to MS+0.42%). Conversely, unsecured debenture loans decreased (down by Euro -3.3 billion): the present low rates have led Customers to prefer products that may have higher yields, especially asset management products.

Indirect funding

At the end of 2016, indirect funding came to Euro 65 billion, posting a marked YOY increase (up by Euro +4.7 billion, i.e. +7.8%). Within this aggregate, the weight of asset management increased (up by Euro +2.7 billion, i.e. +10.6% vs the end of 2015). The asset management segment increased across both its components (wealth management and insurance products) substantiating investors' preference for these forms. Specifically, wealth management increased by Euro 1.5 billion (+12%), coming to Euro 13.3 billion, and insurance products came to Euro 14.9 billion, increasing by Euro 1.2 billion (+9%). Assets under administration also had a positive performance (up by +5.8%).

Net interbank position

The net interbank debt position of the Crédit Agricole Italia Banking Group reports a total debt position amounting to Euro 552 million, decreasing by Euro 868 million vs. the previous year.

This performance was mainly due to the development of funding from Customers, which was driven also by the issue, in October 2016, of a third Covered Bond having a value of Euro 1,500 million.

Financial assets available for sale

The decrease for the year in financial assets available for sale (down from Euro 5.8 billion as at 31 December 2015 to Euro 5.4 billion at the end of 2016) was due to the changes in the portfolio of Italian government securities (which, as at 31 December 2016, accounted for over 95% of total AFS) which was affected both by the evolution in market prices and by the reduction in such portfolio amounts. The increase in equity investments (up by Euro +10.3 million) was mainly due to the recognition under this item of the contribution paid to the voluntary scheme of the Italian Interbank Deposit Protection Fund, for the investment in Cassa di Risparmio di Cesena (consistently with the indications given by the Bank of Italy and since it is equity risk).

Property, plant and equipment and intangible assets

At the end of 2016, property, plant and equipment and intangible assets came to Euro 2.4 billion, increasing vs. 2015 subsequent to the investments mostly made by the subsidiary Crédit Agricole Group Solutions and mainly referring to the projects provided for by the 2016-2020 Strategic Plan.

The “Intangible Assets” item reports goodwill and intangible assets that were recognized subsequent to the acquisitions from the Intesa Sanpaolo Group of FriulAdria and 202 branches in 2007, of the lease business transferred to Crédit Agricole Leasing Italia in 2008 and of Carispezia and 96 branches in 2011. As at the reporting date, the intangible assets relating to the above business combinations were tested for impairment and the consistency of the values as recognized was confirmed.

Specific-purpose provisions

Specific-purpose provisions came to Euro 340 million, increasing by Euro 44 million (up by +15%) vs. 2015. This change mainly regarded the “Other provisions for risks and charges” item, which reports also the provision allocated by the Group (Euro 51 million) for the liabilities resulting from the voluntary redundancy scheme implemented in 2016.

Equity

As at the reporting date, equity, including the earnings for the year, came to over Euro 5 billion, increasing vs. the previous year by Euro 158 million: the decrease in valuation reserves (down by Euro -82 million, mainly due to the changes in AFS reserves on government securities) was more than offset by the issue, at the end of the year, of capital instruments (Additional Tier 1) for Euro 200 million.

Own Funds

As at 31 December 2016, the Common Equity Tier 1 ratio came to 11.4%, in line with the same figure for the previous financial year. The Tier 1 ratio came to 11.8%, increasing vs. the end of 2015 (11.4% as at 31 December 2015), subsequent to the issue of an Additional Tier 1 subordinated instrument worth Euro 200 million, an impact that was partially offset by the concomitant repurchase of the Lower Tier 1 instrument worth Euro 120 million, which was issued in 2011 and included in own funds in 2015 for an amount of Euro 84 million (grandfathering). The Total Capital ratio came to 13.3%.

In calculating Own Funds, the developments in the transitional provisions set down by the supervisory regulation for banks (Regulation (EU) No. 575/2013; Circular No. 285 of the Bank of Italy).

As at 31 December 2016, the Common Equity Tier 1 came to 2,752 million, increasing vs. the previous year (Euro 2,661 million), and includes the earnings as proposed by the Board of Directors to the General Meeting of Shareholders. Tier 2 capital was calculated taking account of the prudential accumulated amortization of Lower Tier 2 instruments (down by Euro -172 million vs. the end of 2015).

Risk-weighted assets came to Euro 24,129 million, increasing vs. 2015 (up by Euro +741 million, i.e. +3.2%), mainly reflecting the developments in loans.

Loans to Customers

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
– Current accounts	2,222,197	2,600,310	–378,113	–14.5
– Mortgage loans	22,729,762	21,664,592	1,065,170	4.9
– Advances and credit facilities	10,191,736	8,972,494	1,219,242	13.6
– Repurchase agreements	–	–	–	–
– Non-performing loans	2,904,907	3,064,743	–159,836	–5.2
Loans	**38,048,602**	**36,302,139**	**1,746,463**	**4.8**
Loans represented by securities	**160,677**	**160,362**	**315**	**0.2**
Loans to Customers	**38,209,279**	**36,462,501**	**1,746,778**	**4.8**

Credit quality

Items	31.12.2016			31.12.2015		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
– Bad debts	2,919,533	1,691,113	1,228,420	2,735,457	1,576,129	1,159,328
– Unlikely to Pay	2,022,592	420,211	1,602,381	2,321,933	507,330	1,814,603
– of which “former Substandard loans”	1,350,845	293,693	1,057,152	1,444,295	376,109	1,068,186
– of which “former Restructured loans”	671,747	126,518	545,229	877,638	131,221	746,417
– Past-due/overlimit loans	82,057	7,951	74,106	97,087	6,275	90,812
Non-performing loans	**5,024,182**	**2,119,275**	**2,904,907**	**5,154,477**	**2,089,734**	**3,064,743**
Performing loans	**35,484,623**	**180,251**	**35,304,372**	**33,605,068**	**207,310**	**33,397,758**
Total	**40,508,805**	**2,299,526**	**38,209,279**	**38,759,545**	**2,297,044**	**36,462,501**

Items	31.12.2016			31.12.2015		
	Gross exposure weight	Net exposure weight	Coverage ratio	Gross exposure weight	Net exposure weight	Coverage ratio
– Bad debts	7.2%	3.2%	57.9%	7.1%	3.2%	57.6%
– Unlikely to Pay	5.0%	4.2%	20.8%	6.0%	5.0%	21.8%
– of which “former Substandard loans”	3.3%	2.8%	21.7%	3.7%	2.9%	26.0%
– of which “former Restructured loans”	1.7%	1.4%	18.8%	2.3%	2.0%	15.0%
– Past-due/overlimit loans	0.2%	0.2%	9.7%	0.3%	0.2%	6.5%
Non-performing loans	**12.4%**	**7.6%**	**42.2%**	**13.3%**	**8.4%**	**40.5%**
Performing loans	**87.6%**	**92.4%**	**0.5%**	**86.7%**	**91.6%**	**0.6%**
Total	**100.0%**	**100.0%**	**5.7%**	**100.0%**	**100.0%**	**5.9%**

Funding from Customers

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
– Deposits	2,150,391	2,968,018	–817,627	–27.5
– Current and other accounts	28,714,900	25,235,642	3,479,258	13.8
– Other items	271,347	197,791	73,556	37.2
– Repurchase agreements	–	1,000	–1,000	
Due to Customers	**31,136,638**	**28,402,451**	**2,734,187**	**9.6**
Debt securities issued	8,756,041	10,597,134	–1,841,093	–17.4
Total direct funding	**39,892,679**	**38,999,585**	**893,094**	**2.3**
Indirect funding	**64,892,521**	**60,198,338**	**4,694,183**	**7.8**
Total funding	**104,785,200**	**99,197,923**	**5,587,277**	**5.6**

Indirect funding

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
– Asset management products	13,282,643	11,820,172	1,462,471	12.4
– Insurance products	14,865,023	13,634,733	1,230,290	9.0
Total assets under management	**28,147,666**	**25,454,905**	**2,692,761**	**10.6**
Assets under administration	**36,744,855**	**34,743,433**	**2,001,422**	**5.8**
Indirect funding	**64,892,521**	**60,198,338**	**4,694,183**	**7.8**

Financial assets available for sale

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
– Bonds and other debt securities	5,183,913	5,579,644	–395,731	–7.1
– Equity securities and units of collective investment undertakings	712	918	–206	–22.4
Securities available for sale	**5,184,625**	**5,580,562**	**–395,937**	**–7.1**
– Equity investments	238,593	228,287	10,306	4.5
Shareholdings available for sale	**238,593**	**228,287**	**10,306**	**4.5**
Financial assets available for sale	**5,423,218**	**5,808,849**	**–385,631**	**–6.6**

Government securities held

	31.12.2016		
	Nominal Value	Book value	Revaluation reserve
FVTPL			
Italian Government securities	2	3	–
Argentinian Government securities	21	2	–
Turkish Government securities	–	–	–
AFS			
Italian Government securities	4,440,000	5,183,912	26,853
Argentinian Government securities	1	1	1
French Government securities	–	–	–
Total	**4,440,024**	**5,183,918**	**26,854**

Specific-purpose provisions

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
Employee severance benefits	146,377	144,318	2,059	1.4
Provisions for risks and charges	193,326	151,542	41,784	27.6
– post-employment benefits	19,045	20,117	–1,072	–5.3
– other provisions	174,281	131,425	42,856	32.6
Total specific-purpose provisions	**339,703**	**295,860**	**43,843**	**14.8**

Equity

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%,
Capital	876,762	876,762	0	0
Share premium reserve	2,735,462	2,735,462	0	0
Reserves	1,078,826	1,014,072	64,754	6
Capital instruments	200,000	0	200,000	0
Reserves from valuation of financial assets available for sale	17,593	103,825	–86,232	–83
Reserves from valuation of actuarial gains (losses) relating to defined-benefit pension plans	–31,022	–27,210	3,812	14
Treasury Shares	–4,035	–	4,035	0
Profit for the year	208,124	220,636	–12,512	–6
Total (book) equity	**5,081,710**	**4,923,547**	**158,163**	**3.2**

Own Funds

Own Funds and capital ratios	31.12.2016	31.12.2015
Common Equity Tier 1 (CET1)	**2,752,105**	**2,660,810**
Additional Tier 1 (AT1)	103,178	–
Tier 1 (T1)	**2,855,283**	**2,660,810**
Tier 2 (T2)	361,435	492,868
Own Funds	**3,216,718**	**3,153,678**
Risk-weighted assets	**24,129,855**	**23,387,753**
of which by credit and counterparty risks and by the risk of value adjustment of the loan	21,485,004	20,777,395
CAPITAL RATIOS		
Common Equity Tier 1 ratio	**11.4%**	**11.4%**
Tier 1 ratio	**11.8%**	**11.4%**
Total Capital ratio	**13.3%**	**13.5%**

PROFIT OR LOSS

The Group perimeter, which the performance for 2016 refers to, consists of Crédit Agricole Cariparma S.p.A. (Parent Company), Crédit Agricole FriulAdria S.p.A., Crédit Agricole Carispezia S.p.A., Crédit Agricole Leasing Italia S.r.l., Crédit Agricole Group Solutions S.c.p.a., the special-purpose vehicles Crédit Agricole Italia OBG S.r.l., Mondo Mutui Cariparma S.r.l., Sliders S.r.l. and Italstock S.r.l., which have been consolidated on a line-item basis.

Income Statement reclassification

In order to present performance more effectively, a summary income statement has been prepared, with appropriate reclassifications so as to report the various items on the basis of consistent operational standards.

The reclassifications concerned the following:

- the recovery of the time value component on loans has been reported under “Net Interest Income” rather than under “Net Impairment Adjustments of Loans”, since it results directly from applying the amortized cost method when there are no changes in expected future cash flows;
- The effect of the amortized cost of hedging of debt instruments has been reported under the “Net Interest Income” item rather than under “Net Gains (Losses) on Hedging Activities”;
- Net Gains (Losses) on Trading Activities, Net Gains (Losses) on Hedging Activities and Net Gains (Losses) on financial assets and liabilities designated at fair value have been reported under Profit (Loss) from Banking Activities;
- Gains and losses on disposal or repurchase of financial assets available for sale and financial liabilities have been reallocated to Profit (Loss) 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;
- The expenses for the management of non-performing loans and the relevant recoveries have been reclassified as Net Value Adjustments of Loans;
- Commission income for fast loan application processing has been taken to “Commission Income” rather than being recognized under “Other operating income/expenses”;
- Net adjustments/writebacks on impairment of financial assets available for sale have been reclassified under “Other Operating Income/Expenses”;
- Net losses on impairment of other financial transactions, mainly relating to guarantees and commitments, have been reclassified under “Net value adjustments of loans”.

Reclassified Consolidated Income Statement

	31.12.2016	31.12.2015	Changes	
			Absolute	%
Net interest income	932,093	1,010,971	–78,878	–7.8
Net fee and commission income	708,732	709,986	–1,254	–0.2
Dividends	8,742	7,570	1,172	15.5
Profit (losses) on financial activities	61,566	44,425	17,141	38.6
Other operating income (expenses)	1,157	–58	1,215	
Net operating income	**1,712,290**	**1,772,894**	**–60,604**	**–3.4**
Personnel expenses	–636,926	–585,610	51,316	8.8
Administrative expenses	–326,642	–330,978	–4,336	–1.3
Depreciation of Property, plant and equipment and amortization of intangible assets	–96,967	–91,200	5,767	6.3
Operating expenses	**–1,060,535**	**–1,007,788**	**52,747**	**5.2**
Net operating margin	**651,755**	**765,106**	**–113,351**	**–14.8**
Impairment on goodwill	–	–	–	–
Net provisions for risks and charges	–17,277	–12,716	4,561	35.9
Impairments of loans	–306,025	–402,161	–96,136	–23.9
Impairments of other assets	–	–	–	–
Profit (losses) on investments held to maturity and other investments	–200	–700	–500	–71.4
Profit (loss) before taxes from continuing operations	**328,253**	**349,529**	**–21,276**	**–6.1**
Taxes on income from on continuing operations	–109,285	–118,645	–9,360	–7.9
Profit (loss) after taxes on discontinuing operations	–	–	–	–
Net profit (loss) for the year	**218,968**	**230,884**	**–11,916**	**–5.2**
Profit (loss) for the year attributable to minority interest	–10,844	–10,248	596	5.8
Net profit (loss) for the year attributable to the Parent Company	**208,124**	**220,636**	**–12,512**	**–5.7**

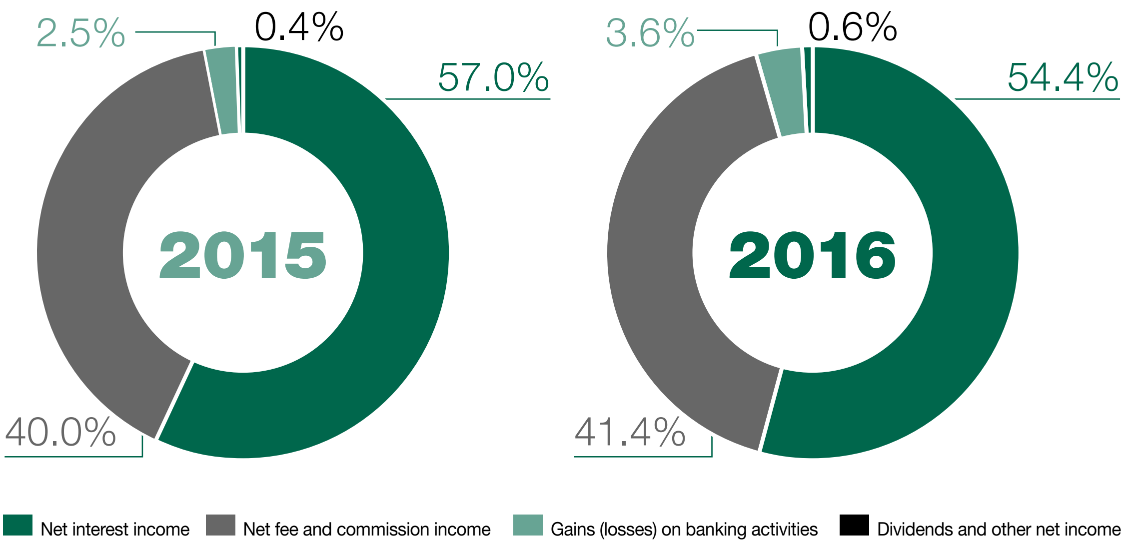
Reconciliation between the Official and Reclassified Income Statements

	31.12.2016	31.12.2015
Net interest income	**932,093**	**1,010,971**
30. Net interest income	874,978	941,284
90. Net profit (losses) on hedging activities: of which amortized cost effect on hedging of debt instruments	–5,807	
130. Net losses on impairment of: a) loans of which time value on non-performing loans	61,215	68,537
190: Calit IAS profit	1,707	1,150
Net fee and commission income	**708,732**	**709,986**
60. Net fee and commission income	680,537	672,120
190. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	28,195	37,866
Dividends and similar income = item 70	**8,742**	**7,570**
Profit (losses) on financial activities	**61,566**	**44,425**
80. Net profit (losses) on trading activities	16,307	10,420
90. Net profit (loss) on hedging activities debt securities classified as loans	–7,118	–14,456
90. Net profit (losses) on hedging activities: of which amortized cost effect on hedging of debt instruments	5,807	
100. Profit (losses) on disposal or repurchase of: a) loans	–	85
100. Profit (losses) on disposal or repurchase of: b) financial assets available for sale	48,851	51,011
100. Profit (losses) on disposal or repurchase of: d) financial liabilities	–2,281	–2,214
110. Net gain (loss) on financial assets and liabilities designated at fair value	–	–421
Other operating income (expenses)	**1,157**	**–58**
190. Other operating expenses/income	286,977	286,873
130. Net losses on impairment of: d) other financial transactions of which impairments recoveries relating to FITD (Italian Interbank Deposit Protection Fund) actions	201	–
210. CA Vita Adjustment Price	9,722	11,626
to deduct: expenses recovered	–256,693	–251,895
to deduct: recovered expenses for the management of non-performing loans	–8,493	–6,768
to deduct: Commission income from Fast Loan Application Processing	–28,195	–37,866
to deduct: Calit IAS gains	–1,707	–1,150
130. Net losses on impairment of: b) financial assets available for sale	–655	–878
Net operating income	1,712,290	1,772,894
Personnel expenses = item 150 a)	**–636,926**	**–585,610**
Administrative expenses	**–326,642**	**–330,978**
150. Administrative expenses: b) other administrative expenses	–599,515	–596,297
190. Other operating expenses/income: of which expenses recovered	256,693	251,895
150. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	16,180	13,424
Depreciation of Property, plant and equipment and amortization of intangible assets	**–96,967**	**–91,200**
170. Net adjustments to/recoveries on property, plant and equipment	–29,938	–29,564
180. Net adjustments to/recoveries on intangible assets	–67,029	–61,636
Operating expenses	–1,060,535	–1,007,788
Operating margin	651,755	765,106
Impairment on goodwill = item 230	–	–
Net provisions for risks and charges = Item 160	**–17,277**	**–12,716**
Net impairments on loans	**–306,025**	**–402,161**
100. Profit/losses on disposal of: a) loans	–16,519	–14,031
100. Profit (losses) on disposal or repurchase of: a) loans	–	–85
130. Net losses on impairment of: a) loans	–221,133	–311,748
130. Net losses on impairment of: a) loans of which time value on non-performing loans	–61,215	–68,537
150. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	–16,180	–13,424
190. Other operating expenses/income: of which recovered expenses for the management of non-performing loans	8,493	6,768
130. Net losses on impairment of: d) other financial transactions	730	–1,104
to deduct: losses/recoveries relating to FITD (Italian Interbank Deposit Protection Fund) actions	–201	–
Profit (losses) on investments held to maturity and other investments	**–200**	**–700**
210. Profit (losses) on equity investments	9,766	10,790
To deduct: CA VITA adjustment price	–9,722	–11,626
240. Profit (losses) on disposal of investments	–244	136
Profit (loss) before taxes from continuing operations	328,253	349,529
Taxes on income from continuing operations = item 260	**–109,285**	**–118,645**
Net profit (loss) for the year	**218,968**	**230,884**
Net profit (loss) for the year attributable to minority interest shareholders	–10,844	–10,248
Net profit (loss) for the year attributable to the Parent Company	**208,124**	**220,636**

Net operating income

Net operating income came to Euro 1.7 billion, slightly decreasing vs. the previous year: the decrease in income from intermediation activities with Customers (interest income and fee and commission income) was partially offset by the increase in gains generated by the changes in the government security portfolio.

Income



Net interest income

In a scenario featuring still modest economic growth and interest rates still negative, net interest income came to Euro 932 million, decreasing vs. the previous financial year (-7.8%). This decrease was mainly due to intermediation activities with Customers, especially the changes in spreads. As regards loans, competitive pressure has caused progressive reduction in spreads, both on newly issued ones and on existing ones (renegotiations), with a negative effect on net interest income, which was only partially mitigated by the increase in volumes (especially mortgage loans). The contribution of funding from Customers to net interest income, even though benefiting from the decrease in the cost of forms with longest maturities (thanks to the decrease in volumes of unsecured bond issues with an increase in less burdensome secured bonds), was impacted by the negative change in spreads on demand funding (due to substantial limits to the decrease in interest rates on certain demand funding forms with increasingly negative interest rates).

Net interest income on interbank business, which came essentially in line with the end of 2015, also reports the positive contribution resulting from the Group participation in the ECB's TLTRO 2.

Interest income from financial assets available for sale decreased (down by -15%), due to the reduction in yields and in the owned portfolio of government securities.

Dividends

Dividends from shareholdings and equity investments recognized as financial assets available for sale increased in the reporting year, from Euro 7.6 million to Euro 8.7 million.

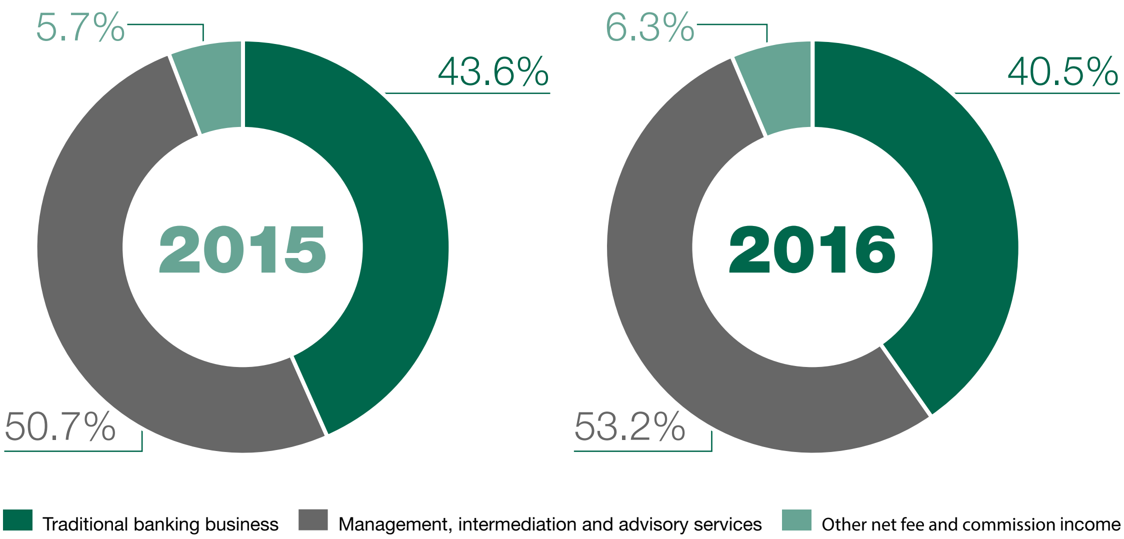
This item mainly reports the dividends referring to the investment in Bank of Italy shares.

Net fee and commission income

Net fee and commission income, which accounted for 41.4% of operating income (40% in 2015), came to Euro 709 million, in line with the previous year: the decrease in fee and commission income from the traditional banking business (down by -7%) was almost fully offset by the increase in fees and commission income from management, intermediation and advisory services (up by +5%). As regards the latter component, the figure reported benefited from the increase in volumes of placed insurance products and consumer credit products (thanks especially to the synergies with the specialist companies of the Crédit Agricole Group, including Agos – Italy's leading player in the consumer finance business – and CA Assurance and CA Vita – for the insurance business).

The fee and commission income component from traditional banking business decreased (down by -7.3% vs. 2015), which was mainly due to the decrease in fees and commissions from loan application processing and to account management fees.

Net fee and commission income



Net income from banking activities

The contribution to the Income Statement of net income on financial activities (Euro 61.6 million as at 31 December 2016) significantly increased vs. the previous year (up by Euro +17.1 million).

Operating expenses

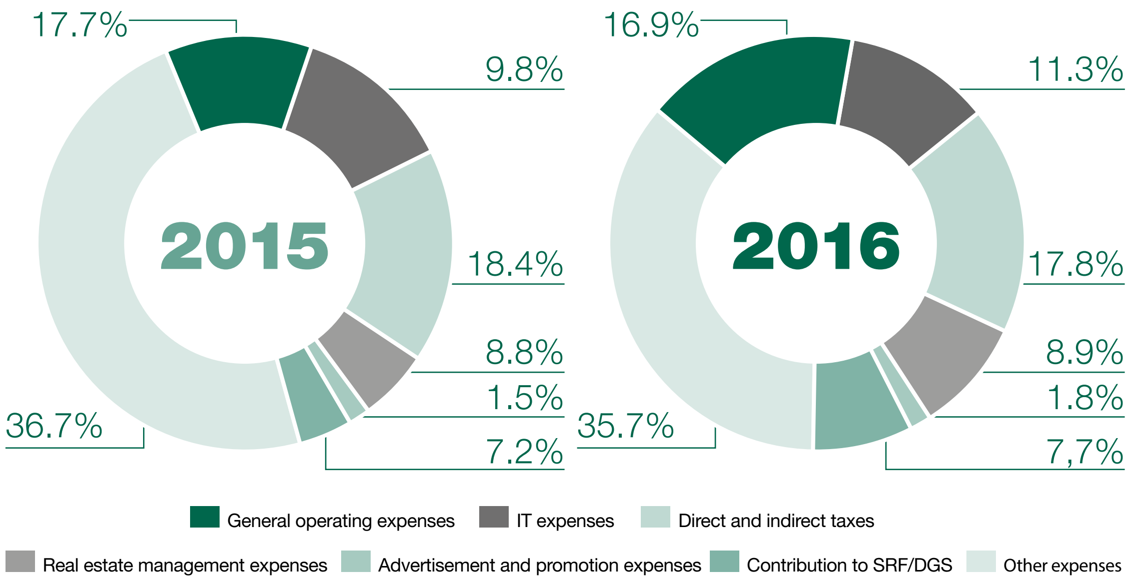
Operating expenses came to Euro 1,061 million, increasing by Euro 53 million (up by +5%) vs. 2015. This increase was essentially due to the recognition of the expenses resulting from the agreement providing for incentives to voluntary redundancy, which was reached in 2016 by and between the Crédit Agricole Italia Banking Group and the relevant Trade Unions. This agreement, which entailed a total cost for the Group of Euro 51 million, provides for voluntary redundancy in 2017 of approximately 300 employees (with the concomitant recruitment of about 100 young people). Moreover, the "Administrative expenses" item reports Euro 45 million worth of ordinary and extraordinary contributions to the Single Resolution Fund (SRF) of Euro 10 and 24 million, respectively, and to the Deposit Guarantee Schemes (DGS). These expenses amounted to Euro 42 million in the previous year (in 2015 this figure reported also the contribution to the Bank and Small Investors Rescue scheme – Italian acronym SBPR). This item is broken down below:

- Personnel expenses: net of the Social Security Fund this cost component was well under control (+0,2%), despite newly recruited staff for the projects underway (especially Off-premises Account Managers) and despite the increases regarding seniority/promotions

(this figure benefited also from recoveries for upgrading of provisions on the variable component previously made);
- Other Administrative Expenses: net of non-operating items (SRF, DGS and SBPR), the other expenses decreased (down by -2%): the higher costs supporting the Medium Term Plan (including the rebranding launched in 2016) and for staff management were more than offset by the savings on expenses for advisory services and rental expenses;
- Depreciation and amortization: the start in 2016 of significant investments (Euro 132 million, of which Euro 81 million in Information Technology) and of the projects provided for by the 2016-2020 Strategic Plan caused an increase in this item vs. 2015 (up by +6%).

Net of non-recurring expenses (incentives for voluntary redundancy) and non-operating ones (SRF and DGS), the cost/income ratio came to 56.3%, slightly increasing vs. the previous year (up by +1.8%).

Administrative expenses



Net Provisions for risk and charges

Provisions for 2016 came to Euro 17 million and consisted mainly of provisions for legal disputes with the Bank as the defendant (Euro 10 million).

Impairments on loans

The continuous decrease in the cost of credit had a positive impact on the Group's performance in 2016: indeed, net impairments on loans came to Euro 306 million, down by 24% vs. the same figure for the previous year. In percentage terms, the ratio that expresses the cost of credit risk (the ratio of the relevant adjustments taken to the Income Statement to net loans to Customers) decreased to 80 bps vs. 110 bps in the previous year, even with an increase in the coverage ratio of non-performing loans. The decrease in adjustments of Unlikely to Pay positions is pointed out, which, net of recoveries, as at 31 December 2016, came to Euro 102 million (down by Euro -90 million vs. 2015, i.e. -47%).

Impairment on goodwill

In 2016, all goodwill resulting from the various business combinations that have been carried out by the Group since 2007 was tested for impairment and for the Retail/Private/Corporate Banking Cash Generating Units, the test did not detect any need to recognize impairment.

Profit (loss) before taxes from continuing operations

The profit before taxes on continuing operations came to Euro 328 million, decreasing by Euro 21 million vs. 2015. Net of non-recurring components the profit before taxes would have come to Euro 423 million (up by +8% YOY).

Taxes on income from continuing operations

Current taxes and deferred tax liabilities came to Euro 109 million, decreasing by approximately Euro 9 million vs. the previous financial year.

Net profit (loss)

The profit for the financial year (coming to Euro 208 million) decreased vs. the previous year (down by -€12.5 million, i.e. -6%) due to non-recurring expenses for the Solidarity Fund and to the extraordinary contribution to the Italian Single Resolution Fund (SRF): net of such non-recurring components, the net profit for 2016 would be of Euro 256 million, increasing by 9% vs. 2015.

Comprehensive income

Comprehensive income consists of the profit for the financial year and of the changes in the value of assets directly recognized in equity reserves. Comprehensive income for 2016 came to Euro 118 million vs. Euro 254 million for the previous year. This was mainly due to the decrease in the valuation reserves of AFS securities of Euro 90 million.

This decrease was due both to the developments in market prices and to the sale of Italian government securities in the reporting year.

It is pointed out that the inclusion in comprehensive income of the item reporting financial assets available for sale entails physiological volatility that must be taken into account when analyzing the table.

Operations and income by business segment

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

Net interest income

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
Business with Customers	770,782	899,224	–128,442	–14.3
Business with banks	9,619	10,972	–1,353	–12.3
Debt securities issued	–131,975	–205,552	–73,577	–35.8
Spreads on hedging derivatives	182,159	184,961	–2,802	–1.5
Financial assets held for trading	9	40	–31	–77.5
Investments held to maturity	–	–	–	
Financial assets available for sale	101,331	118,986	–17,655	–14.8
Financial assets and liabilities designated at fair value	–	2,382	–2,382	
Other net interest income	168	–42	210	
Net interest income	**932,093**	**1,010,971**	**–78,878**	**–7.8**

Net fee and commission income

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
– guarantees issued	7,884	8,975	–1,091	–12.2
– collection and payment services	41,170	41,367	–197	–0.5
– current accounts	203,716	222,850	–19,134	–8.6
– debit and credit card services	34,236	36,376	–2,140	–5.9
Commercial banking business	**287,006**	**309,568**	**–22,562**	**–7.3**
– securities intermediation and placement	142,644	150,273	–7,629	–5.1
– intermediation in foreign currencies	4,020	4,016	4	0.1
– asset management	9,910	6,165	3,745	60.7
– distribution of insurance products	194,710	184,292	10,418	5.7
– other intermediation/management fee and commission income	25,698	14,929	10,769	72.1
Management, intermediation and advisory services	**376,982**	**359,675**	**17,307**	**4.8**
Tax collection services	**–**	**–**	**–**	
Other net fee and commission income	**44,743**	**40,743**	**4,000**	**9.8**
Total net fee and commission income	**708,732**	**709,986**	**–1,254**	**–0.2**

Net income from banking activities

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
Interest rates	7,866	674	7,192	
Stocks	913	–1	914	
Foreign exchange	5,232	7,553	–2,321	–30.7
Commodities	17	61	–44	–72.1
Total profit (losses) on financial assets held for trading	**14,028**	**8,287**	**5,741**	**69.3**
Total profit (losses) on hedging activities	**–1,312**	**–14,456**	**–13,144**	**–90.9**
Profit (losses) on disposal of financial assets available for sale	**48,850**	**51,011**	**–2,161**	**–4.2**
Net profit (loss) on financial assets and liabilities designated at fair value	**–**	**–421**	**–421**	
Profit (losses) on disposal of debt securities classified as loans	**–**	**4**	**–4**	
Profit (losses) on banking activities	**61,566**	**44,425**	**17,141**	**38.6**

Operating expenses

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
– wages and salaries	–420,284	–417,722	2,562	0.6
– social security contributions	–110,325	–111,015	–690	–0.6
– other personnel expenses	–106,318	–56,873	49,445	86.9
Personnel expenses	**–636,926**	**–585,610**	**51,316**	**8.8**
– general operating expenses	–98,349	–103,140	–4,791	–4.6
– IT services	–66,033	–56,870	9,163	16.1
– direct and indirect taxes	–103,797	–107,289	–3,492	–3.3
– real estate property management	–51,942	–51,152	790	1.5
– legal and other professional services	–20,020	–22,783	–2,763	–12.1
– advertising and promotion expenses	–10,235	–8,474	1,761	20.8
– indirect personnel expenses	–8,800	–6,967	1,833	26.3
– contributions to SRF/DGS/SPS	–44,838	–41,676	3,162	7.6
– other expenses	–179,155	–184,242	–5,087	–2.8
– expenses and charges recovered	256,528	251,615	4,913	2.0
Administrative expenses	**–326,641**	**–330,978**	**–4,337**	**–1.3**
– intangible assets	–67,031	–61,636	5,395	8.8
– property, plant and equipment	–29,936	–29,564	372	1.3
Depreciation and amortization	**–96,967**	**–91,200**	**5,767**	**6.3**
Operating expenses	**–1,060,535**	**–1,007,788**	**52,747**	**5.2**

Net Provisions for risk and charges

Items	31.12.2016	31.12.2015	Changes	
			Absolute changes	%
– revocatory actions	–2,106	–1,494	612	41.0
– non-lending-related legal disputes	–10,171	–12,365	–2,194	–17.7
– repayments to Customers on defaulted securities	–	1,065	–1,065	–100.0
– other	–5,000	78	–5,078	
Net Provisions for risk and charges	**–17,277**	**–12,716**	**4,561**	**35.9**

Impairments on loans

	31.12.2016	31.12.2015	Changes	
			Absolute	%
– bad debts	–214,803	–203,886	10,917	5.4
– Unlikely to Pay	–102,245	–191,502	–89,257	–46.6
– past-due loans	–6,007	–5,340	667	12.5
– performing loans	24,188	6,327	17,861	
Net losses on impairment of loans	**–298,867**	**–394,401**	**–95,534**	**–24.2**
Expenses/recovered expenses for loan management	–7,686	–6,656	1,030	15.5
Impairments for guarantees and commitments	528	–1,104	1,632	
Impairments on loans	**–306,025**	**–402,161**	**–96,136**	**–23.9**

Comprehensive income

Items	31.12.2016	31.12.2015
10. Net profit (loss) for the year	**218,968**	**230,884**
Other comprehensive income after taxes not reversed in profit or loss	**–**	**–**
20. Property, plant and equipment	–	–
30. Intangible Assets	–	–
40. Actuarial profit (losses) on defined-benefit plans	–3,972	5,778
50. Non-current assets held for sale	–	–
60. Share of Valuation Reserves on equity investments measured using the equity method	–	–
Other comprehensive income after taxes reversed in profit or loss	**–**	**–**
70. Hedges of foreign investments	–	–
80. Exchange rate differences	–	–
90. Cash flow hedges	–	–
100. Financial assets available for sale	–90,308	30,402
110. Non-current assets held for sale	–	–
120. Share of Valuation Reserves on equity investments measured using the equity method	–	–
130. Total other comprehensive income after taxes	**–94,280**	**36,180**
140. Comprehensive income (Item 10+130)	**124,688**	**267,064**
150 Consolidated comprehensive income attributable to minority interest	6,608	13,066
160. Consolidated comprehensive income attributable to the Parent Company	**118,080**	**253,998**

STRATEGIC PLAN AND CORPORATE DEVELOPMENT LINES

STRATEGIC PLAN

In 2016, the Crédit Agricole Italia Group reasserted the action lines provided for in the "*Ambizione Italia 2020*" Strategic Plan, which was launched in the reporting period, consistently with the new Medium Term Plan to 2019 of the Parent Company Crédit Agricole S.A.

The Plan confirms the development of a new phase of sustainable growth, based on innovative strategies that, implementing a clear and efficient business model, aim at strengthening the Group's role as Proximity Banking player, in a market-leading position in Italy, focusing on and tailor-made for Customers, through multichannel models and digital innovation, investing in people and talents as the core of its growth and leveraging on its belonging to the Crédit Agricole S.A. Group and relying on its soundness to start a new phase of organic growth on key market segments, in order to create long-term value.

The transformation envisaged in the Plan provides for the action lines listed below:
1. Repositioning in a Customer-centric approach
2. Access to new domains and strengthening of the domains the Group excels in
3. People and Development
4. Efficiency
5. Rebranding

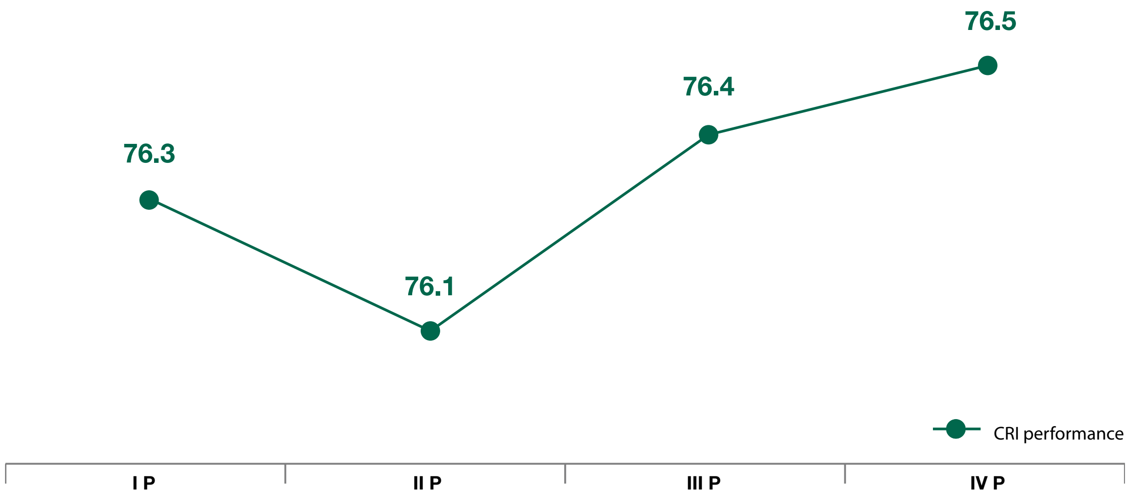
1. REPOSITIONING IN A CUSTOMER-CENTRIC APPROACH

Enhancement of the relationship with Customers

Starting afresh from a new model designed for listening to the Customers, who are at the center and heart of our way of doing business, in order to enhance a top quality relationship and high-end advisory services, as well as a top level in terms of service and management through activities across all the structures of the Group.

The enhancement of the Customer Relationship is based on the strategic directions listed below:
- Training and Change Management Program;
- Communication Plan across all levels to strengthen the Customer Centrality culture;
- The *Banca Semplice* [user friendly bank] new model;
- New Relational model;
- Increased listening ability in a Customer Experience perspective.

Retail Banking performance: Customer Recommendation Index (CRI) survey



Over 60,000 Retail Customers of the Group were interviewed and expressed their opinion on the Group and on their propensity to recommend it to friends, family and colleagues. Thanks to the evidence found, improvement projects have been designed focusing on Customers. The Group closed 2016 with its average Customer Recommendation Index (CRI) on the increase; moreover, in order to improve the service it provided and its relationships with Customers, the Group intends to implement the Customer Recommendation Index (CRI) also in the other commercial channels.

«Around the Branch» multichannel integration

In order to respond to the fast changes that the marker has been experiencing in the last few years, our Group intends to continue several activities aimed at developing a multichannel approach that is different in accordance with the actual needs of our Customers (relationship establishment, advisory services at the Branch/outside the Branch, transaction and services) and that is integrated around the Branch.

Such integration is based on the following strategic directions:
- Continuous Innovation of digital platforms, with products that can be sold "fully online";
- Integration of the Digital Branch with the possibility to make assisted remote sale of Wealth Management products, through several tools and platforms made available to our staff;
- Increasing Digital Acquisition, through dedicated web portals and through the advantages from the review of the process for the activation of online accounts, which provides for innovative forms of Customer recognition.

Thus, Customers will have the possibility to decide at any time which is their preferred modality to interact with the Bank.

2. ACCESS TO THE NEW CHANNELS AND STRENGTHENING OF THE DOMAINS THE GROUP EXCELS IN

New Channels driving growth

To drive the Group's endogenous growth in a sustainable way the Financial Advisors new Channel was launched, which focuses on the most demanding Customers and has been staffed with about 100 Advisors recruited both from inside the Group and from outside it. Moreover, important cooperation activities were started within the Crédit Agricole Group in Italy to enhance business in the Mid-Corporate segment.

Strengthening of the domains the Group excels in

In addition to starting operations in new market segments, our growth continues to rely on our roots and on our tradition of community banking, constantly aiming at excellence in the following domains:

- Small Business and Agri-Agro (agri-food): the new highly-specialized service model has been redesigned, with "new Small Business Centers" dedicated to the most demanding Small Business Customers, providing for specialization of the entire Network on the Agri-Agro segment;
- Mortgage loans: in order to retain our leading position in mortgage loans, we have reviewed and streamlined mortgage loan processes, with both the possibility of using external providers for peak management and the activation of a dedicated online channel;
- Private Banking and Wealth Management: The strengthening of the network of Private Bankers started, along with the enhancement of the evolved services provided to Customers, as well as of the technology tools available to this Channel.

3. PEOPLE AND DEVELOPMENT

The challenges that our Group has set will be achieved thanks to an ambitious project for the enhancement of the Human Capital and of the Operational Machine.

HR transformation plan

Human Capital remains one of the main pillars for the transformation of our future. In the reporting year, important strategic activities started, which are summarized below:

- Recruitment plan (approximately 100 resources), as needed to support the project activities provided for in the "*Ambizione Italia 2020*" Strategic Plan and essential to ensure knowledge and skills necessary for our growth;
- Generational turnover, triggered with the closing in 2016 of an agreement with the Trade Unions providing for the exit of about 300 resources in 2017;
- Continuous development of our employees, through managerial development and strengthened training, career and job rotation plans, exchange programs in Italy and abroad, focus on gender policies.

Operational Machine renewal plan

Another strategic driver of transformation concerns the Operational Machine that will support some challenges underway:

- Start of the Group's Real Estate Big Projects, with the beginning of the building works for the New *Centro Servizi Cavagnari*, the renovation of the Premises on Via Armorari in Milan and the Villini Project in Rome;
- The first year of the Group IT Plan was completed supporting the set projects;
- The services provided by Crédit Agricole Group Solutions have been extended to the other companies of the Crédit Agricole Group in Italy.

4. EFFICIENCY

Transformation of the Network model

The new Network model that we are implementing has been designed again in a Customer centrality perspective and continuing with the process to improve the efficiency level. In general, the transformation underway on the Network provides for the optimization of the weight of investment property, while ensuring a high service level to Customers.

To date, approximately 35% of the Network works based on a counter-less logic, as per the new "*Agenzia Per Te*" format, allowing the automation of transactions with the machines located at the Branches, giving 24/7 service, providing Customers with more time for higher added value activities, such as advisory services.

Moreover, our operations have been reviewed in geographical terms, being optimized in high concentration areas, especially for very small and low-traffic branches. At the same time, new possibilities have been studied to extend operations to high-potential areas, through a new, innovative and light model of branch (the "Hub" model), based on which the physical branch becomes the central hub housing all "jobs".

Lending and risk processes and platforms

The review of lending processes (authorization, management and recovery) was completed, aimed at streamlining and making them more efficient through their full digitalization and integration with the digital channels, at the same time improving Customer tools and, thus, reducing the «time-to-yes»

Enhancement of the efficiency of processes

Important investments in IT and processes were made in order to streamline, digitalize and transform the Group's Operations, relying on the new platform of Crédit Agricole Group Solutions.

As at the reporting date, the centralization of the Network Back Offices had been completed, with the automation of these activities. At the same time, some activities were also started aimed at recovering resources to be engaged in the enhancement of and support to the Group's Network (for example by relocating some organizational units)

5. REBRANDING

The rebranding started in the reporting year was an opportunity to support the process for the repositioning of the Crédit Agricole Italia Banking Group as a big national banking group, standing out from competitors having "local" size. This change is intended to provide Customers with more value, more satisfaction and lesser complexity, keeping the strong point of soundness, which results from belonging to one of the leading international groups.

Indeed, the new brand is intended to given more domestic visibility to the image of Crédit Agricole, one of the soundest international groups, without neglecting the confidence bond with the areas of operations, which are the specificity of the Crédit Agricole Italia Banking Group.

The rebranding will continue to be enhanced in 2017 with dedicated initiatives.

CORPORATE DEVELOPMENT LINES

Commercial operations are reported below, along with the first impacts of the above-described Medium-Term Plan (MTP).

RETAIL BANKING DISTRIBUTION CHANNELS

In 2016, the Crédit Agricole Italia Banking Group further strengthened its Customer-focused Universal bank model and enhanced its proximity to the business fabric of the communities it operates in, with Euro 907 million worth of loans to businesses, posting a +36.3% increase vs. 2015.

Mortgage loans and other loans

In a scenario where flexibility and multichannel mode have been increasingly in demand, Home Loans posted a significant increase in the online distribution channel. In 2016, *Mutuo Adesso*, the online platform dedicated to mortgage loans, was launched.

The Home Loan range was enriched with *Gran Mutuo 2016*, a floating-rate mortgage loan (3M Euribor) with a maximum interest rate, in order to ensure protection from any future increase in interest rates, with flexible amortization schedule and first instalment free of charge.

Moreover, the adoption of the ABI-MEF "First Home Guarantee Fund" Protocol was confirmed, which favours access to credit by Customers, giving also priority to young people, including "atypical" workers.

In terms of loans, the partnership with Agos, a leading player in consumer credit, continued and, thanks to it, the Crédit Agricole Italia Banking Group increased its support to households, seizing market opportunities and leveraging on the recovery in consumption.

Transactional products and electronic money

The range of current accounts was enriched with the new *Conto di Conoscerti* product, a solution intended as the starting point to build a relationship with Customers and to foster the supply of other products by the Bank. This account stands out for its user-friendliness and transparency.

Along with the creation of this new product, the Crédit Agricole Italia Banking Group streamlined the process for the opening of current accounts at its Branches and for the supply of ancillary products for Individuals (objective: less paper, fewer signatures and more time for advisory services).

As regards e-money new products, the Crédit Agricole Italia Banking Group continued to pursue a development strategy focused especially on innovation, enabling the possibility to make POS contactless payments, simply putting one's Smartphone in contact with the POS device, irrespective of the phone service provider used. This service uses the Host Card Emulation (HCE) technology and is based on a "virtual card" generated in addition to and connected to the physical one (that the Customer can continue to use for "traditional" payments).

Bancassurance

The range of insurance products was supplemented with a new Term Life Insurance Policy, which includes the benefit of payment of a pre-set capital also in case of Dread Disease. The launch of this new product, which is intended for more completeness and to provide Customers with tailor-made products, was accompanied by a new communication line dedicated to personal and family protection.

Moreover, this new product has been included in the basket of the Insurance Check-Up platform, a new tool made available to Account Managers at the Branches to help them in identifying Customers' insurance needs with some simple questions and in proposing specific products in an advisory perspective.

Finally, the option for payment in monthly instalments of all premiums for non-life insurance products, with no additional costs, further strengthened the positioning of the Crédit Agricole Italia Banking Group in the non-life bancassurance market, in a constantly evolving regulatory and market scenario.

Wealth Management

As regards Wealth Management, in 2016, significant changes occurred, in terms both of advisory services and of the range of products supplied:

- In terms of advisory services, a project was started launching a new commercial approach on the Retail Network based on Recommended Portfolios built in partnership with Amundi SGR and CA Vita. The Recommended Portfolios are built with specific solutions that allow the reduction of required after-sale activities and more efficient diversification of the portfolios, which is more necessary than ever, given the scenario featuring modest yields and high volatility. Within the launch of the Recommended Portfolios, several meetings were held in the communities of operation and a new central structure was set up, called "Investment Center" to provide Account Managers with support;
- The investment protection model was strengthened by improving the profiling questionnaire, as well as by implementing new rules in the distribution of complex products;
- The process for the "Provision of Financial Advisory Services" was changed by streamlining, with an important investment in technology, the possibility for the Account Managers to make and plan advisory proposals both at the Branches and remotely, through the NowBanking website.

The range of products available to Account Managers was maintained and constantly updated in order to meet the Customers' requirements.

In 2016, in compliance with the regulations on Product Governance, new wealth management solutions, funds and life insurance products were put on the market. Specifically, Amundi's new range of target maturity funds is intended to meet the Customers' requirements regarding: capital preservation, income and growth.

Small Business and Agri-Food

In addition to its regular lending operations, the Crédit Agricole Italia Banking Group has developed initiatives aimed at providing support to the local economies.

Specifically, funds were allocated for preauthorized loans intended to be used to grant both short- and medium-/long-term credit lines, as well as funds for loans on very easy terms in order to support, with fast and transparent tools, investments in the most deserving businesses.

As always, the range of products and services provided was structured and complete thanks to the important synergies with the various product companies of the Group; specifically, important commercial actions were carried out to propose lease products, and such actions were very appreciated by Customers that could fully understand the tax advantages entailed by the products. The performance of sales (up by +7.8% vs. the previous year) is evidence of the Customers' appreciation.

The Crédit Agricole Italia Banking Group continued to implement its strategy for the review of its service model dedicated to Small Business Customers, combining innovation with the enhancement of the Bank-Customer relationship.

The roll-out of the Small Business Centers continued, which is a new branch model where skills, experience and expertise are made available to Customers in order to design highly tailor-made solutions. In 2016, the Group had 26 Small Business Centers in operation.

The commitment of the Crédit Agricole Italia Banking Group to the agri-food sector continued to be part of its strategy for the development of the agri-food business line: close bonds with the areas of production and with the sector players, specialist approach based on advisory services and supply-chain vision.

Women Entrepreneurship

In 2016, the development of the "*DonnAzienda*" project continued. This project was designed, fine-tuned and promoted in cooperation with the "Valore D" Association and was started at the end of 2013 in order to support businesses led by women, who are by many considered a winning development model and engine for Italy. Thanks to the proactive involvement of many employees of the Group, of women entrepreneurs and trade associations (through exchange meetings and one-to-one interviews), this system project allowed the specific requirements of women that do business to be detected and, at the same time, the main action scopes to be identified.

The new range of products and services has been designed specifically based on the knowledge acquired through the exchange meetings and includes not only banking products but also non-banking services, namely welfare and advisory ones. Access to credit was made easier thanks to the support provided by the Central Guarantee Fund – Women Entrepreneurship Special Section, which gives first-demand guarantees covering up to 80% of the loan and free of charge. In 2016, loans of this type were paid out for over Euro 266 million.

PRIVATE BANKING DISTRIBUTION CHANNEL

In 2016, the activity for the upgrading of assets continued, despite the strong volatility and uncertainty that the markets experienced during the year, especially in the first quarter. This activity could be performed thanks to constant control on the advisory services ensured by a central team that provides support on Customers' portfolios, through analyses of portfolio turnovers, asset mix benchmarking and distribution analyses of portfolio performances.

Moreover, thanks to the fruitful and constant cooperation with the Group's Product Companies, specifically Amundi SGR, CaVita and CACIB, synergies could be achieved in the supply of products, leveraging on the know-how and the best expertise within the Group.

In 2016, "*Soluzione Valore Plus*" was released: an advisory service with explicit remuneration, intended to provide Private Banking Customers with advisory services that are high added value and tailor-made. The "*Soluzione Valore Plus*" service consists in the recommendation by the Group of one or more transactions on financial instruments and products, based on the Portfolio of the specific Customer.

The Customer agrees with the Bank on the parameters that characterize the "*Soluzione Valore Plus*" service and that shall always be taken into account in tailor-made recommendations.

The scope of advisory services has been extended also to non-financial scopes, in terms of real estate and inheritance planning and of trust and fiduciary services; the training provided to the Network focused on these topics.

In 2016, considerable operational streamlining was achieved by using new technologies in the preparation of *ad hoc* asset allocation proposals (web collaboration), in order to have even better customer experience at advisory meetings with Customers.

Finally, loans were another specific focus and the proactivity of the Private Banking Network staff improved in proposing both short- and medium-/long-term solutions, thanks also to dedicated training in cooperation with the Credit Department. The cooperation with the Corporate Banking Department continues in order to achieve full-range business relations with Private Banking Customers that are also entrepreneurs.

FINANCIAL ADVISORS

The Financial Advisors Channel is intended to give the Group a new Commercial structure focusing on the development of funding and high-potential Customers with a new service model.

Throughout the system, the number of Customers asking for specialist advisory services is steadily increasing, especially as regards financial investments and the management of family wealth.

In compliance with the applicable regulations in force, the Group has set an important training program (covering conduct and commercial aspects, specialist and technical skills, compliance and regulatory matters) to support the staff engaged in this new role.

In 2016, the Crédit Agricole Italia Banking Group made the services of 74 financial advisors available to its Customers.

CORPORATE BANKING DISTRIBUTION CHANNEL

In 2016, as substantiated also by the increase in lending volumes and by the improved quality of assets, the Corporate Banking Channel continued to provide selective support to the Italian economy, further strengthening its range of products through a coordinated set of activities and actions, such as:

- Support to exports and internationalization, providing financial resources as well as specialist advisory services, also in business acquisitions;
- The extension of structured finance activities, with specific reference to acquisition and investment finance, in which the Crédit Agricole Italia Banking Group has become a leading player;
- The development, in cooperation with CaCib, of innovative products, intended especially to the agri-food sector;
- The acquisition of new Customers, also in geographical areas where the Group's Branches are not directly present, establishing new cooperation agreements with local Employers' Associations, such as the one signed with Confindustria Ancona e Pesaro, which allowed new business to be started in the Marche Region;
- The "Preauthorized loans" initiative dedicated to Customers with good creditworthiness and operating in target industries, with shortened authorization-giving procedures, which, therefore, gives Customers the possibility to immediately obtain the liquidity required;
- The use of instruments and agreements with various financial institutions in order to develop "capital light" products, i.e. with reduced capital absorption and competitive prices (EIB allocation, 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);
- Support to the areas hit by the earthquake as regards specific credit lines with dedicated allocations to pay for the damage suffered by small and medium enterprises.

In 2016, innovative products were implemented, such as:
- "Net-Matching", a web-based platform to foster networking between enterprises and to search for and meet new commercial and business partners;
- "Electronic advances on invoices", a service allowing enterprises to improve the efficiency of documentary exchange with their vendors and customers.

DIRECT CHANNELS AND DIGITAL TRANSFORMATION

In 2016, the Group focused on the acquisition of new Customers, on widening its multichannel supply, on developing its range of remote products and services and on the promotion of and incentive to the use of direct channels, as provided for by the "*Ambizione Italia 2020*" Medium Term Plan.

The 2016 strategy was implemented with the following main projects:
- The acquisition and development of new Customers, which was supported by important partnership agreements with third-party companies and with companies of the Group, thus leveraging the synergies within the Crédit Agricole Group in Italy;
- 100% online procedure for paying out Agos loans to Customers of the Crédit Agricole Italia Banking Group having the Nowbanking multichannel package;
- The continuous development of the mobile banking channel, with the implementation of over 70 functions on the Nowbanking App, for both Smartphones and Tablets, available for iOS, Android and Windows users;
- The release of an App enabling teenagers to digitally manage their pocket money and a purchase wish list and providing parents with a tool to support and control their children's financial education, the only such product in the Italian scenario;
- The launch of *Mutuo Adesso*, a new website entirely dedicated to real estate mortgage loans, which was created to meet the increasing demand for Omnichannel mode and fast response. This new portal, with the Crédit Agricole Italia brand, continues the online challenge that has already been undertaken by Crédit Agricole in France with the E-Immobilier portal.

In 2016, important marketing and communication actions were implemented focusing on the following lines:
- Continuous presence on the Web, especially on the most used search engines in the Italian scenario;
- Specific promotion actions to communicate the Group's online product range based on "*Conto Adesso*", in order to contribute to the online acquisition of new Customers;
- Online survey of Customer Satisfaction, certified by an independent company, within the *Conto Adesso* mini website;
- Incentives to the use of the online channel for transactions, with specific reference to asset management.

AWARDS

The Group's experience, expertise and commitment were acknowledged also in 2016 with important awards:
- The 2016 Financial Reporting Oscar in the category of Banks Financial Companies and Insurance Undertakings;
- Milano Finanza Global Awards 2016 – The Best Foreign Bank in Retail Banking;
- Top Employer 2016 certification;
- The "Banca e Territorio" (Bank and Community) 1st price awarded by AIFIN (Italian Association for Financial Innovation) in the category "Initiatives for the environment protection and community enhancement" for the initiatives referring to *Gran Mutuo Green*.

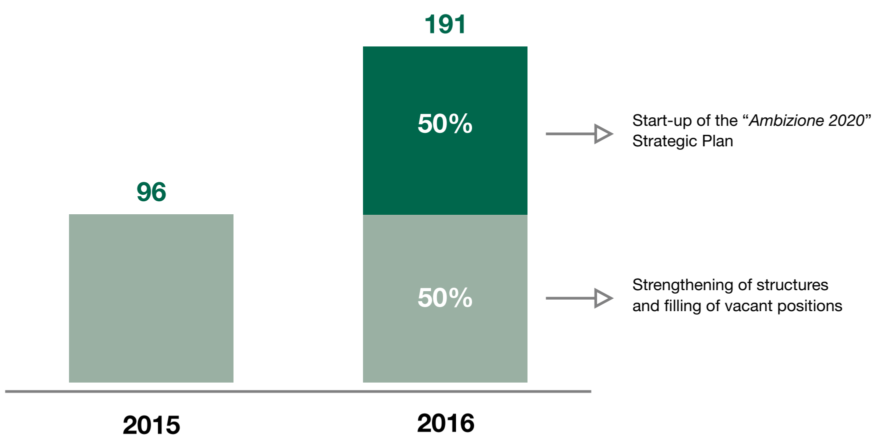
THE WORKFORCE

As at 31 December 2016, the staff of the Crédit Agricole Italia Banking Group consisted of **8,269** employees that can be broken down by entity as follows:

	31.12.2016
Crédit Agricole Cariparma	5,361
Crédit Agricole FriulAdria	1,477
Crédit Agricole Carispezia	704
Crédit Agricole Leasing Italia	54
Crédit Agricole Group Solutions	673
Total Resources of the Group	**8,269**

In 2016, net of the transfers/acquisitions of contracts/business units, within the Group 191 resources were recruited vs. 116 terminations.

Newly-recruited Resources



The staff consists by 99% of employees with a permanent employment contract, while, terms of gender, women account for 48% of it.

The Group operates in 10 Regions of Italy, with Crédit Agricole Cariparma being deeply rooted in the Emilia-Romagna Region, crédit Agricole FriulAdria in the Friuli Venezia Giulia Region and of Crédit Agricole Carispezia in the Liguria Region; 52% of the Group staff works in these three Regions.

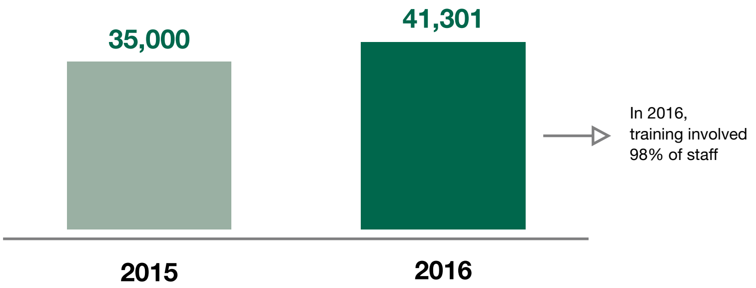
The employees' average age is 47 years and 6 months (breaking down by category in years – Senior Managers 52 – Junior Managers 49 – Professional Areas 44), whereas the average seniority came to 21 years (breaking down by category in years – Senior Managers 14 – Junior Managers 22 – Professional Areas 19).

38% of staff is a university graduate or holds a postgraduate title.

Within the Group, training, provided through various channels, continued to be a priority and again proved to be one of the key drivers for the development of Human Resources.

Specifically, investments aimed at the quality improvement of the resources' effectiveness and responsibility-taking; that is to say, at providing training that, in compliance with the regulatory requirements, is fit to generate sustainable actions and performances.

Training in man-days



As in the last few years, also in 2016, Crédit Agricole Cariparma was certified as a Top Employer company. The annual HR Best Practices Survey carried out by the Top Employers Institute is the basis for certifying the best companies worldwide in terms of HR: the organisations that achieve the highest standards of excellence in employee conditions, that train and develop talent at all levels throughout the organization and that constantly strive to improve and optimize their Best Practices in the field of Human Resources.

The Solidarity Fund

The "*Ambizione Italia 2020*" Strategic Plan provides for significant innovations and investments to upgrade the service model to Customers' changed requirements. This objective is being pursued through various IT innovations, through the development of alternative distribution channels and through an appropriate generational turnover and professional conversion.

In this perspective, an agreement was signed in 2016, which provides for approximately 300 people to access the Solidarity Fund; through this Fund, those that will become eligible for pension in the next few years can opt, on for voluntary basis, for early termination of their employment in 2017, receiving incentives.

In reasserting the voluntary choice to join this scheme, this important agreement is first of all intended for those engaged in jobs that, in the present market scenario, are progressively shrinking, such as Customer assistants. Special support is provided to staff members that are facing very serious personal or family problems.

In this scope, in order also to fulfil a need for generational turnover, the recruitment of up to 100 young people has been planned for 2017.

Remuneration Policies

The guidelines and directions at the basis of the Group remuneration policy are set by the Parent Company Crédit Agricole in order to ensure shared and consistent management at a global level; such guidelines and directions are then adopted by the Crédit Agricole Italia Banking Group, who adjusts them to its own reference scope and submits them to the Board of Directors of each Company (for Crédit Agricole Cariparma on 22 March 2016) and, then, to the individual General Meetings of Shareholders for final approval (for Crédit Agricole Cariparma on 28 April 2016).

The remuneration policies of the Crédit Agricole Italia Banking Group are different in accordance with the reference target staff, both as regards corporate governance processes and as regards the systems and tools used, and they are based on the following principles:

- Alignment with the business strategies of the Companies and of the Group;
- Attraction, motivation and retention of professionally qualified resources;
- Merit recognition in order to appropriately acknowledge the resources' personal contribution;

- Actual value creation and steering the performances of the entire staff towards short-, medium- and long-term objectives, within a reference regulation framework designed for proper control of corporate risks, both present and forward-looking, as well as for maintaining adequate liquidity and capital;
- Internal remuneration fairness, ensuring fair reward for the contribution given and the responsibilities assigned;
- External remuneration competitiveness through constant reference to the market, also with the support of tools designed to analyze and measure work positions by specialized companies providing reference benchmarks for each type of position, company size and market;
- Affordability of remuneration systems by controlling the weight of labour cost on the income statement, over the short-, medium- and long-term, of the single Companies and of the Group as a whole;
- Compliance with the law and regulatory provisions that apply to the single Companies and to the Group as a whole.

Within the constant regulatory developments regarding this matter, on 21 December 2015, the European Banking Authority (EBA) published its final Guidelines on sound remuneration policies and the Bank of Italy announced that it intended to implement such Guidelines – having regards to the provisions which the Italian regulation is not yet aligned to – effective from 30 June 2017.

Pending the finalization of the regulatory developments underway, the Group Remuneration Policies for 2016 were essentially in line with those for the previous year, implementing, as the main new provision, the regulation on the Remuneration Committee, which was set up in 2015 in order to provide the Board of Directors with effective support on a matter featuring increasing complexity.

Internal Customer Satisfaction

In order to achieve effective governance of processes and good corporate operation, the Internal Customer Satisfaction (ICS) process was set up and has been implemented for six years now. It is a tool designed to detect, verify and measure the perception by the different Group departments of the services they received from other internal departments.

The process key targets are:
- To increase the Group's ability to generate effective team work between its various teams;
- To contribute to the creation of a corporate culture that increasingly focuses on the requirements of internal customers;
- To make processes and relationships between the various structures more flowing and efficient.

Assessments are performed on a six-month basis and the results have both an absolute and relative value, as a measurement of the improvement/worsening rate of internal customer satisfaction in the following half years.

In 2016, the Human Resources Department held in-depth analysis meetings with the structures that showed problems in previous assessments or that wanted a specific meeting and discussion with their customer structures, in order to foster continuous improvement. The in-depth analysis meetings between customer and provider structures gave the opportunity of direct exchanges and discussion, as well as of high cooperation, which proved useful to solve any organizational problems and to facilitate work on both sides and the relationship between the parties involved. The HR Department shall have the task to stimulate and promote the organization of other meetings between customer and provider structures after the next surveys, supporting proactivity throughout the organization and enhancing a sense of responsibility towards the Company.

FINANCE

The directions followed by the Crédit Agricole Italia Banking Group concerning financial balances rest of three main guidelines:

- The management of interest rate risk;
- The management of liquidity risk;
- Capital management.

The objectives regarding the management of interest rate risk, consistently with the past, concerned the hedging of the Group cumulative exposure by Bank. The exposure was kept within the limits set by the Risk Strategy, achieving significant protection of profitability, as substantiated, also for 2016, by the contributions to the Income Statement of the existing hedges.

As regards liquidity, refinancing strategies led to diversification of sources, namely the Covered Bond market, TLTROs II and access to the EIB funds.

Specifically, at the beginning of October 2016, the Parent Company made a new issue on the Covered Bond market, in a dual-tranche format. This new issue received a favourable feedback from institutional investors and bonds were successfully placed for an amount of Euro 1.5 billion, thus allowing funding to be further stabilized at modest costs. This was the first issue of Covered Bonds with 15-year maturity in Italy.

Another refinancing source that the Entities of the Group are continuing to use consists of EIB funds.

The financial activities are subject to the approval, control and coordination of the Board of Directors of the Parent Company Crédit Agricole Cariparma.

RISK MANAGEMENT

Objectives and policies on risk taking, management and hedging

1.1 SUMMARY OF THE SYSTEM, PERIMETER AND ROLES

Within the Crédit Agricole Italia Banking Group, the Parent Company Crédit Agricole Cariparma is responsible for overall steering, managing and controlling risks at a Group level, triggering operating action plans that allow reliable control on all risk situations. In turn, the system set by Crédit Agricole Cariparma is based on the Supervisory regulations and on the directions issued by Credit Agricole S.A. to 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 instructions and in line 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;
- Exchange rate 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 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 integrated 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 Cariparma and of the single Entities of the Group for their approval.

The main Group Committees in charge of specific risk scopes are:
- The Internal Control Committee that coordinates the control departments (Internal Audit, Compliance, Risk Management and Permanent Controls), as well as the internal control system as a whole, in accordance with the procedures implemented by Crédit Agricole at Group level;
- The Risk Management Committee that examines and approves the guidelines for risk management, gives opinions on the specific Risk Policies submitted for approval to the Board of Directors and resolves on any proposals made by the operational working groups, which all matters that are specific to the different risks are referred to;
- The Compliance Management Committee that analyzes the status of the applicable regulations and makes proposals for corrective actions, where needed.

In accordance with their respective responsibilities, the Departments 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 and the Loan Monitoring Committee.

Finally, 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 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 Bank is consistent with the applicable regulatory provisions.

1.2 RISK APPETITE FRAMEWORK

The Group’s Risk Appetite Framework expresses the risk level that the Group is willing to take, for every type of risk.

The Group’s risk appetite has been determined especially based on its financial policy and on its risk management policy and is expressed through:
- A policy for selective and responsible lending within a prudent lending policy that takes all due account of the risk policy, of the corporate social responsibility policy and of the system of decision-making powers in force;

- Keeping exposure to market risk to a minimum level;
- Strict oversight on exposure to operational risk;
- A system of controls aimed at controlling non-compliance risk (identified and monitored);
- Careful measurement of risk-weighted assets;
- Integrated management of the Group's assets and liabilities.

The structure of the Risk Appetite Framework 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.

For this purpose, 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 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.

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 Risk Appetite Framework 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.

Moreover, in 2016, the Risk Appetite Framework was further strengthened with the renewal of the Policies on the RAF and on the Most Relevant Transactions (*Operazioni di Maggior Rilievo* – MRT or with the Italian acronym OMR), as well as with the preparation of the Risk Appetite Statement (RAS). This document reports the governance process regarding risk management, identifying the roles of the management and control bodies within the Group for proper monitoring of risks and correct definition of the RAF; finally, the main qualitative and quantitative risks are mapped, for which risk indicators and the relevant alert thresholds have been set; in case these are exceeded, a Recovery Plan process shall be triggered.

In general terms, the Risk Appetite Framework of the Crédit Agricole Italia Banking Group is expressed as:
- Risk Appetite (risk objective or risk appetite): level of risk (overall and by type) that the Company 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 Bank 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 a Company is technically able to take without violating any regulatory requirements or other restrictions set 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 periodic reports, to the Risk Management Committee and to the Board of Directors of the Parent Company and of the other Entities of the Group.

In case the Tolerance and Capacity levels of the RAF indicators are exceeded, an escalation process is provided for, which is fit to propose the relevant corrective actions to return to the normal risk levels (Recovery Plan).

As at 31 December 2016, the Group main indicators were found good and consistent with the Risk Appetite set by the Group. They never exceeded the set tolerance levels.

2. RISK MANAGEMENT AND HEDGING

Credit Risk

In the Crédit Agricole Italia Banking Group, the lending process (strategies, decision-making powers, rules for the authorization and management of loans) has been developed in accordance with the guidelines issued by the Parent Company Crédit Agricole S.A and aims at:

- Achieving an objective that is sustainable and consistent with its risk appetite and with the creation of value of the Group, ensuring and improving the quality of lending assets;
- Diversifying the portfolio, by limiting the concentration of exposures to single counterparties/groups, economic activity sectors or geographical areas;
- Efficiently selecting the economic groups and single borrowers, by means of thorough analysis of credit worthiness in order to mitigate the risk of default;
- Favouring, in the present economic situation that shows some signals of improvement, lending actions that support households, the real economy and the productive system, steering appropriate lending measures aimed at selectively developing and supporting business with the worthiest Customers.
- Constant control of accounts and relating exposures, both through IT procedures and through systemic monitoring of less than fully performing positions, in order to promptly detect and manage any signs of impairment.

This process is regulated based on different phases, in order to identify the risk management standards, the actions to implement for the proper application of such standards, the units responsible for carrying out the above activities and the procedures supporting them. The subdivision into phases and the assignment of tasks to the different organizational structures are made focussing on the process operativeness, that is to say its fitness to achieve the set objectives (effectiveness) and its ability to achieve then at consistent costs (efficiency).

In the present economic situation that shows some signs of improvement but a still weak growth trend, the Crédit Agricole Italia Banking Group has reasserted its systematic control on the developments in the quality of the Loans-to Customers Portfolio, with the objective of making the monitoring on riskiest exposures even more selective, from early warnings on, to promptly detect any sign of their being non-performing, and to take more and more effective action to control credit risk.

Also in 2016, the constant monitoring of the loan portfolio quality was pursued by adopting precise operating procedures in all phases of the loan position management, in order to ensure preventive management of default risk. The set of loans is subject to thorough and constant monitoring by means of a pre-set control system based on rating, performance monitoring, and early warning indicators that allow prompt management of positions at the very earliest warning and that interact with the processes and procedures for loans management and control.

The organizational structure, the procedures and tools supporting the system for the management of problem loans ensure prompt triggering of the actions and measures required to restore the position to a performing status, or prompt triggering of recovery actions where the conditions rule out the continuance of the business relation.

The Group has implemented a wide set of tools for the measurement and management of credit risks, which can ensure control on an individual basis of the quality of its loan portfolio; in 2016, the efficiency of such tools was further increased.

The Group pursues the mitigation of credit risk by entering into ancillary agreements or by adopting tools and techniques that ensure actual mitigation of this risk. Particular attention is given to securing and managing guarantees through the definition of and compliance with general and specific requirements, and to updating the value of the guarantees.

After the loan authorization and disbursement, the position is assessed on a time basis (fixed deadlines or set frequency) or upon reporting/initiative of structures engaged in the review of credit lines, also based on any deterioration of performance risk indicators, in order to verify that:

- The borrower and the relevant guarantors remain solvent;
- The requirements of the guarantees remain complied with (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 Cariparma and Crédit Agricole FriulAdria, regarding “Retail Loan Exposures”, the so-called “Retail Portfolio”.

The Crédit Agricole Italia Banking Group started the activities to extend the use of advanced approaches (roll-out plan) also to the same portfolio of the subsidiary Crédit Agricole Carispezia.

As regards the “Exposures to Corporate Customers” portfolio, in line with the strategic directions issued by the Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group started the methodological, organizational and technological actions required to obtain the validation also for this exposure class.

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 given the immateriality of the portfolio size and given 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 authorization, 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 Cariparma, Crédit Agricole FriulAdria, Crédit Agricole Carispezia and Crédit Agricole Leasing Italia).

The rating systems are used within the main phases in the lending value chain. With specific reference to loan authorization 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 authorize loans and manage credit risk;
- Loan authorization – the assessment of the creditworthiness upon the first authorization and upon review of/change in credit lines, as well as for determination of decision-making powers in terms of loan authorization;

- 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 write-down – the approach for the collective write-down of Performing Loans implemented by the Bank uses the Basel metrics to determine the amount of the provision (PD and LGD), as well as to identify sensitive loans subject to write-down;
- Bank reporting – the use of the risk measures produced by the Bank's reporting model.

Such 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 (Retail) counterparties default.

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

Finally, more effective detection and measurement of risks allows 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 the 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. Interest rate risk, therefore, 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 Cariparma, 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 Cariparma is responsible for independent control of the interest rate risk management system, by verifying its compliance with the risk measurement model.

In 2016, the hedging of interest rate risk continued with the purchase of derivatives, namely Interest Rate Swaps and Interest Rate Options. Fixed-rate debt instruments loans have been hedged (micro-hedging), mortgage loans with cap to Customers (macro-hedging) and interest rate gaps detected by the internal model, which have been subject to macro hedging.

The investment portfolio, held for Liquidity Coverage Ratio (LCR) purposes, consists of Italian Government Securities for amounts that have been set down by the Risk Committee of the CAsa Group and approved by the ALM Committee.

These securities, having modest average duration, have been hedged against interest rate risk.

The limits to the price risk of the Banking Book price are defined on the basis of the type of instruments that can be held (Italian, German and French Government Securities) and are expressed with reference to the maximum nominal value that can be held by every Bank of the Group.

The Group has also implemented a stress analysis method to be used on the prices of the assets falling within this scope, setting a system of limits in force at Group level and of alert thresholds that are consistent with the standards set by Crédit Agricole S.A.

The Risk and Permanent Controls Department of Crédit Agricole Cariparma 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.

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 obligations, 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 Cariparma, 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 obligations, 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 SA Group, which is based on stress scenarios in order to ensure surplus liquidity on various time horizons and in increasingly stressful 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 ensuring a liquidity surplus over a one-year time horizon in a market featuring stress conditions.

Medium-/long-term liquidity management entails the identification of alert thresholds by determining dedicated indicators and ratios. They aim at ensuring the Group's financial 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 (Italian acronym PRS) and of the Net Stable Funding Ratio (NSFR) substantiate the Bank'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.

As at 31 December 2016, the Group's Liquidity Coverage Ratio (LCR) was 142.26%, steadily above compliance levels.

Market risk of the Trading Book

Market risk is generated by the position of the Banks that make up the Crédit Agricole Italia Banking Group limited to the Trading Book for supervisory purposes. The Group does not carry out significant proprietary trading activities in financial and capital markets; the positions reported are exclusively those resulting from placing and trading operations performed to meet Customers' requirements.

Moreover, the Group, since it is part of the Crédit Agricole S.A. Group, is subject to the Volcker Rule and to the "*Loi francaise de séparation et de régulation des activitès bancaires*" (LBF), which prohibit any banking entity from engaging in proprietary speculative trading with Customers.

Within its operations, the Group sells "over the counter" (OTC) derivatives to Customers, through a specialist team supporting its intermediation activities. Intermediated derivatives are hedged back-to-back in order to be immunized from market risk. Moreover, Credit Support Annex (CSA) agreements have been signed with the main market counterparties, in order to mitigate total exposure.

The Group aims at meeting the requirements of Customers that use derivative instruments to hedge interest rate risk (Retail and Corporate mortgage loans) and exchange rate risk (Corporate).

In accordance with the guidelines issued by the Crédit Agricole S.A. Group and with the prudential regulations, the market risk framework system is reviewed normally on a yearly basis within the Risk Strategy of the Crédit Agricole Italia Banking Group and is approved both by the Boards of Directors of the Parent Company and by the Group Risks Committee of Crédit Agricole S.A.

Operational risks

The definition of operational risk adopted by the Group is the one set down 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 reference structure in the management of operational risks at Group level and is responsible for ensuring the existence, completeness and relevance of the permanent controls implemented by the Group, by means of a structured and traceable control plan, as well, consequently, for assuring the General Management and the Boards of Directors that the various types of risks are actually under control.

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 CALIT and Crédit Agricole Group Solutions.

The management of operational risks requires sharing and proactivity also by all corporate structures; therefore, within the scope of permanent controls and operational risks, in order be at all times fully aware of the risk issues associated to the different corporate processes, specialist control roles operate within the Risk Management and Permanent Controls Department and specific roles engaged in internal control operate within all corporate structures; moreover, mechanisms that are functional to the set targets have also been implemented:

- Operational Risk Manager (ORM or with the Italian acronym MRO), who is responsible for reporting the presence of actual and potential risks in the various corporate structures and for coordinating the implementation of permanent controls;

- Control on Outsourced Important Operational Functions/Provision of Outsourced Essential Services (Italian acronyms FOIE/PSEE), on Physical Security and on the Business Continuity Plan (BCP or with the Italian acronym PCO);
- PRSI (Pilote des Risques SI), in charge of monitoring and control of IT risks on the Information System;
- 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;
- Fraud Prevention Unit (FPU or with the Italian acronym NAF), having the task of monitoring and making decisions on fraud-related problems;
- Structures, systems and tools, instrumental for proper risk control and for the management of mitigation/improvement actions, including:
  - the Risk Management Committee, which is described above;
  - The system of remote controls for the Distribution Network, together with early warning indicators, aimed at detecting any irregular 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 such meetings, together with the heads of the Retail Banking Areas, the problems detected are analyzed and an action plan for improvement is prepared.
  - The interfunction Work Group on Outsourced Important Operational Functions/ Provision of Outsourced Essential Services (Italian acronyms FOIE/PSEE), having the task of monitoring and making decisions on any problems regarding the outsourcing of functions that are defined as "essential or important" in accordance with the applicable Supervisory rules;

The activities that are outsourced and contracted out to external providers are always governed by a service agreement that, in addition to regulating the provision of the service, provides for a system of controls on the set qualitative and quantitative levels. In accordance with the various scopes, internal reference roles 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.

Finally, special controls are triggered where the activities outsourced can be defined as "important/essential operational functions" (Italian acronym FOI), 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, consisting of a specific Group policy that implements the Supervisory provisions, organically defines the system of controls as required in case of outsourcing of important operational functions.

3. INTERNAL CONTROL 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 Departments 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.

The analysis and monitoring of risks are carried out based on Group references, which provide for verification of abidance by the regulatory terms, of the reliability of process and their exercise, security and compliance.

The control system provides also for the implementation of a mechanism of:

- Permanent control, which comprises:
  - 1st-degree controls, exercised on a continuous basis, at the start-up of a transaction and during the process for its validation, by the employees performing it, by the persons they report to on 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 units;
  - 2nd-degree/first-level (2.1) controls, which are carried out by persons engaged in operating tasks, but other than those directly involved in making the decisions on the transaction 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.
- periodic control, consisting of a 3rd-degree control, which is performed by the Internal Audit Department on a periodic basis through remote verifications, on-site inspections and audits of documents.

The updating of the regulatory system 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 Departments, Divisions and Services 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 actions and the effects of their implementation.

Activities within the Validation Function

The activities within the Validation Function are governed by the specific Policy that was approved by the Board of Directors of Crédit Agricole Cariparma in February 2015 and by the guidelines issued in March 2016 by the *Direction Risque Group* of Crédit Agricole SA. This document sets down the relevant work approaches, scopes of action, controls and tolerance thresholds, as well as the rules governing the reporting process and the follow-up of recommendations. The Validation Policy shall be submitted, in its updated version, to the Board of Directors of Crédit Agricole Cariparma in February 2017, also in order to fully implement the guidelines governing the internal validation of the risk measurement approaches within the Crédit Agricole Group.

The structure engaged in the Validation Function, in accordance with the supervisory regulations, is responsible for verifying:

- The accuracy and predictivity of the internal estimates of risk parameters;
- Proper use of the internally estimated risk parameters within management processes;
- Compliance with regulatory provisions of the governance model and of the features of the internal rating system;

- Compliance with the regulatory standards governing the architecture and operation of the information systems supporting the risk measurement process;
- The completeness, accuracy, consistency and integrity of the information used within the process to estimate risk parameters.

In the Crédit Agricole Italia Group, the Validation Function is performed by the Validation Service that reports on a solid line to the Executive at the head of the Risk Management and Permanent Controls Department of Crédit Agricole Cariparma and on a dotted line to the "*Validation des Modèles*" Unit of Crédit Agricole SA. In performing its mission, the Validation Service is independent of the structures and roles engaged in rating assignment and loan authorization, in compliance with the applicable regulatory provisions. All validation activities are certified on a yearly basis by the Internal Audit Department.

Internal Audit

The Internal Audit Department 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 Internal Audit Department of the Parent Company Crédit Agricole SA.

The Internal Audit Department
- Performs periodic 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 Important Operational 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.
- Assesses 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 and with all applicable internal and external regulations;
- Provides the Top Management, the Corporate Bodies and the Parent Company Crédit Agricole S.A. with prompt and systematic reporting on the activities carried out.

OTHER INFORMATION

REPORTING ON TRANSACTIONS WITH RELATED PARTIES AND ATYPICAL AND/OR UNUSUAL TRANSACTIONS

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 Risk Assets and Conflict of Interest with Parties associated to the Companies of the Crédit Agricole Italia Banking Group", which was adopted by the Group in December 2012 and updated in July 2014, is reported in Part H of the Note to the Financial Statements, to which reference is made. Part H also includes the analysis of any atypical and/or unusual transactions in accordance with the definition given in CONSOB (Italian Securities and Exchange Commission) Regulation No. 11971/99.

RESEARCH AND DEVELOPMENT

No research and development activities were performed in the year.

RISKS AND UNCERTAINTIES

The policies for the monitoring, management and control of risks remain key and priority pillars based of which the Banks will have to measure, both against one another and against domestic and international markets.

Reference is made to other sections of the Note to the Financial Statements for exhaustive reporting on the risks and uncertainties which the Group is exposed to (and on the techniques implemented for their mitigation), while it cannot but be emphasized once more the constant focus that the Group and its Management have kept on the monitoring of risks and uncertainties, also to comply with the countless recommendations that the national and international Authorities have been issuing on this topic

Indeed, the Bank's governance bodies are fully aware that sustainable development and growth absolutely require also an effective analysis of the risks which the Bank is exposed to and of the relating uncertainties, in terms of impacts that these risks could have on the Group's financial position, cash flows and performance. Effective management and mitigation of the same 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 and drivers of growth) on the other.

The Management believes that the present overall performance of the domestic and international economies (financial and real) is such as to require, in addition to monetary and real policy measures to be adopted by supranational and national bodies (with the purpose of boosting the present weak recovery), also appropriate policies for constant enhancement of the monitoring of risks and uncertainties, such as the ones implemented by the Bank.

The Management is indeed fully aware that financial players must constantly implement growth and development policies that, at the same time, focus on the safeguarding and protection of the interests of all Stakeholders, without shirking, because of this very reason, the institutional role that the Bank as such plays both in terms of support to the economic and social fabric of its Customer Enterprises, and in terms of enhancement of that key factor for development and success which consists in effective and prudential management of savings.

PERFORMANCE OF THE CONSOLIDATED COMPANIES

THE PERFORMANCE OF CRÉDIT AGRICOLE FRIULADRIA

Crédit Agricole FriulAdria is subject to the management and coordination of Crédit Agricole Cariparma, who holds 80.33% of its share capital, while the remaining portion is publicly held. In 2016 the Bank made a profit and reasserted its role in supporting the economy of the Regions in which it operates.

Crédit Agricole FriulAdria made a net profit for 2016 amounting to Euro 37 million. The above profit is net of the expenses for the Solidarity Fund, of the contribution to the Deposit Guarantee Scheme (DGS) and of the ordinary and extraordinary contributions to the Single Resolution Fund (SRF).

Its net operating income came to Euro 306 million, essentially in line with the previous year: the decrease in net interest income and in fee and commission income from the traditional banking business was partially offset by good income from financial activities.

Operating expenses increased (up by Euro +7 million, i.e. +4% YOY), subsequent to the agreement providing for incentives to voluntary redundancy, which was signed at Group level with the relevant Trade Unions.

Moreover, the "Administrative expenses" items reports Euro 8.4 million worth of ordinary and extraordinary contributions to the Single Resolution Fund (SRF) and to the Deposit

Guarantee Scheme (DGS). These expenses amounted to Euro 8.3 million in the previous year (in 2015 this figure reported also the contribution to the Bank and Small Investors Rescue scheme – Italian acronym SBPR).

The continuous decrease in the cost of credit was one of the key factors for the Bank's good performance in 2016: indeed, net value adjustments of loans came to Euro 51.7 million, down by -23.4% vs. the same figure for the previous year In percentage terms, the ratio that expresses the cost of credit risk (the ratio of the relevant adjustments taken to the Income Statement to net loans to Customers) decreased to 76 bps vs. 102 bps in the previous year, even with the coverage ratio of non-performing loans which remained high.

THE PERFORMANCE OF CRÉDIT AGRICOLE CARISPEZIA

Crédit Agricole Carispezia is subject to the management and coordination of Crédit Agricole Cariparma, who holds 80% of its share capital, while the remaining portion is held by Fondazione Cassa di Risparmio della Spezia.

Crédit Agricole Carispezia had a very good performance, with its net profit coming to Euro 23.7 million (net of the expenses for the Solidarity Fund, of the contribution to the Deposit Guarantee Scheme – DGS – and of the ordinary and extraordinary contributions to the Single Resolution Fund – SRF).

Its net operating income came to Euro 150 million, slightly decreasing vs. the previous year, mainly due to the decrease in net interest income (which was partially offset by good income from financial activities) and in fee and commission income from the traditional banking business.

Operating expenses came to Euro 94 million, increasing by Euro 4.9 million (up by +5.5%) vs. 2015. This increase was mainly subsequent to the expenses regarding the agreement providing incentives for voluntary redundancy, which was signed in 2016 at Group level with the relevant Trade Unions: this agreement generated total expenses for the Bank amounting to Euro 2.6 million.

Moreover, the "Administrative expenses" items reports Euro 3.2 million worth of ordinary and extraordinary contributions to the Single Resolution Fund (SRF) and to the Deposit Guarantee Scheme (DGS). These expenses amounted to Euro 2.5 million in the previous year (in 2015 this figure reported also the contribution to the Bank and Small Investors Rescue scheme – Italian acronym SBPR).

The continuous decrease in the cost of credit was one of the key factors for the Bank's good performance in 2016: indeed, net value adjustments of loans came to Euro 19.8 million, down by -19.5% vs. the same figure for the previous year In percentage terms, the ratio that expresses the cost of credit risk (the ratio of the relevant adjustments taken to the Income Statement to net loans to Customers) decreased to 78 bps vs. 100 bps in the previous year, even with a high coverage ratio of non-performing loans, which further increased.

THE PERFORMANCE OF CRÉDIT AGRICOLE LEASING ITALIA (CALIT)

In 2016, the Company succeeded in seizing the opportunities generated by the improved general economic scenario and signed 3,617 new lease contracts worth Euro 459.9 million, posting important increases both in volumes (+10.6%) and in the number of transactions (+21%).

The new production regarded especially equipment and vehicle leases, which accounted for over 75% of total volumes. Leases came to Euro 2 billion, with an increase in performing exposures (up by +3.5%) and a decrease in non-performing ones (down by -8.5%).

As regards performance, the improvement in Net Banking Income (up by +9.9%), the control on Operating Expenses (+2.6%) and the decrease in the Cost of Credit (down by

-21.8%) led to a gross Profit for the FY of Euro 3.4 million vs. the loss of Euro 4.7 million made in the previous year.

After taxes amounting to Euro 0.8 million, Net Profit came to Euro 2.6 million, returning to profitability after the net loss of Euro 2.9 million made in 2015.

THE PERFORMANCE OF CRÉDIT AGRICOLE GROUP SOLUTIONS

For Crédit Agricole Group Solutions, 2016 was the first full year of operations and, therefore, no homogeneous comparison can be made with the previous year (in which the Company was in operations only for 4 months).

Revenues for 2016 totalled Euro 215.9 million and were calculated reallocating the expenses borne by the Consortium for the services provided to the other Companies of the Group, based on the adopted cost allocation model.

Operating expenses came to Euro 215.2 million and consisted of expenses for staff amounting to Euro 48.6 million (impacted also by the agreement providing for incentive to voluntary redundancy, which was signed in 2016 at a Group level with the relevant Trade Unions, entailing a total cost for the Company of Euro 4.2 million), administrative expenses amounting to Euro 119.6 million and depreciation/amortization amounting to Euro 47.1 million.

Since the Consortium operates on a not-for-profit basis, all expenses borne for service provision were fully reallocated on the Consortium members and, consequently, the Income Statement for 2016 broke even.

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

	31.12.2016	
	Equity	**of which: Net profit for the year**
Balances of the Parent Company accounts	**4,947,634**	**205,022**
Effect of consolidation of subsidiaries	134,076	45,076
Effect of the equity method accounting of significant equity investments	–	–
Dividends received in the year	–	–41,974
Other changes	–	–
Consolidated account balances	**5,081,710**	**208,124**

OUTLOOK

General aspects

SIGNIFICANT EVENTS OCCURRED AFTER THE REPORTING DATE

As regards the Crédit Agricole Italia Banking Group, it is reported that, from 31 December 2016 to the date of approval of this Report, no events occurred which could generate significant changes in the Group’s structure and in its profit (loss) for 2016.

MACROECONOMIC AND BANKING OUTLOOK FOR 2017

MACROECONOMIC SCENARIO[10]

In the forecast scenarios, the weight of political aspects has increased significantly. The United States' announced intention to strengthen their domestic growth by expanding their budget and by implementing protectionist policies with restraints on trade and immigration has caused concern to the Countries that rely on international resources to grow.

The US Dollar appreciation and trade isolationism could over time harm the weakest currencies and exports of Countries that rely on price competitiveness, first of all China, with subsequent macroeconomic imbalances, as well as domestic ones. The agreements between oil-producing countries aimed at reducing supply in order to drive an increase in prices have not proved sufficient to generate effects on international prices in a scenario of appreciation of the US Dollar. In addition to the increasing growth pace of the United States GDP, the forecasts for 2017 are that:

- The economy of emerging countries will grow at a faster rate thanks to both the increase in prices of commodities and the end of recession in Brazil and Russia, as well as thanks to improved contribution of investments. China may experience a slowdown partly mitigated by better performing foreign trade, given the depreciation of the Chinese currency.
- Japan's economy will be stable, despite the potential depreciation of the Yen and the uncertainty in the trade policy regarding exports to the United States.
- The economy of the United Kingdom will continue to grow in 2017 but a slower pace than in 2016. The scenario will be impacted by the outcome of the Brexit referendum and by the timeframe and modalities to negotiate the exit from the European Union.

As regards the financial system and monetary policies, in December the Federal Reserve increased interest rates by 0.25 points and announced another three increases of the same amount in 2017; other increases are expected also in 2018. The increase in yields in the Unites States will extend only partially to the other advanced economies; indeed, the non-standard monetary policy measures in force in the Euro Area will limit the impact on European interest rates. In December, the ECB announced that policy rates will remain unchanged and the asset purchase programme will be extended by nine months after its expiry in March 2017; however, the monthly amount of purchases has been decreased from 80 to 60 billion of Euro.

Finally, short-term reference rates are expected to remain constantly negative and at their all-time low (3M Euribor -0.30%), whereas medium-/long-term rates will remain low but with a slight increase vs. 2016.

EURO AREA

In addition to external influences, Europe will have to face internal uncertainty elements, such as the several upcoming elections and the negotiations for the exit of the United Kingdom from the EU.

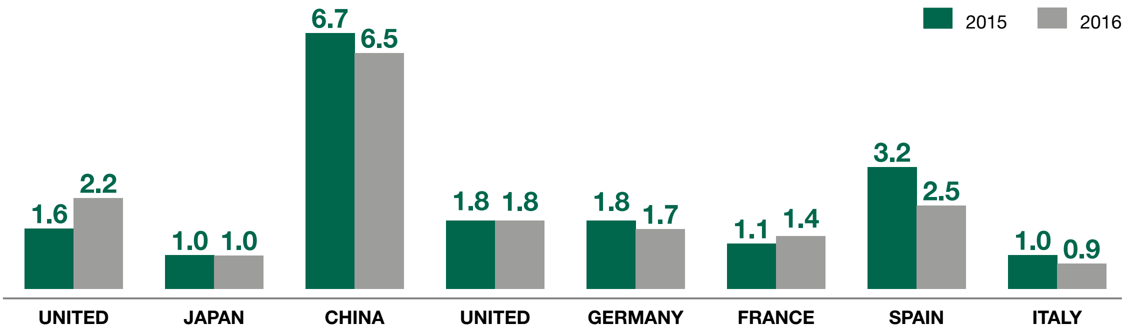
In 2017, the risk of deflation in Europe is expected to be staved off, also thanks to the increase in commodity prices. Such increase will limit the purchasing power of households, causing consumption to decrease, but will give businesses the possibility to determine prices and, thus, the possibility for higher margins and investments. Overall, in 2017, a stable growth in the GDP has been estimated amounting to +1.7%. Having regard to key Countries:

- In Germany household consumption and, consequently, the GDP will be curbed by the increase in inflation subsequent to the end of the disinflationary effects caused by commodities;

(10) Source: Prometeia, Forecast Report, December 2016; Source Crédit Agricole S.A.'s Economic Research Department

- In France, growth will strengthen thanks also to high private consumption, the employment outlook will remain favourable and a phase of uncertainty will be experienced relating to the elections;
- In Spain, the GDP will slow down subsequent to lesser impulse by domestic demand, whereas the contribution of exports will return positive.

GDP: % YOY change



Source: Prometeia, Forecast Report – March 2017.

THE ITALIAN ECONOMY

During the years of crisis, Italy responded slowly, keeping a lower pace than the rest of the world and than the other European Countries. Italian manufacturing capabilities have been confirmed; despite the decrease in world trade, export proved a key driver for added valued generation, but low investment capabilities are evidence of a gap with respect to the Euro Area.

After a hard recovery, with 2016 as the best year since 2013, according to the latest forecasts, the international situation will change the scenario in which recovery could have continued and strengthened:

- The depreciation of the Euro will drive exports, in spite of the expected difficulties in international trade;
- The Italian referendum has caused political uncertainty in the Country, which will worsen the scenario even further, with immediate effects decreasing both household spending and expenses for investments;
- The economic/political uncertainty will generate an increase in interest expenses on government securities; This will decrease the possibility for expansionary fiscal policies and, therefore, support to domestic demand will be lower,
- Income generation for households will continue at a regular pace driven by current prices, but the increase in purchasing power may sharply slow down due to inflation;
- The increase in employment will slow down, also due to the end of the tax reliefs that contributed to the recovery of the labour market in 2015 and partially in 2016, but the productivity making up as required for continuing in recovery will not allow previous losses to be absorbed;
- The increase in pays is at standstill in real terms and inflation will remain below the EU levels;
- After the GDP for 2016 coming to +1.0%, for 2017 it is expected to increase by +0.9%.(11)

BANKING SCENARIO(12)

The several elements of political uncertainty, a still modest economic recovery and interest rates continuing to be negative will impact, also in 2017, on the Italian banking system that, at the same time, is undergoing significant transformation and strengthening. Indeed, the following are expected:

- New combinations/mergers, also subsequent to some government reforms;

(11) Source: 0.9% according to Prometeia, OECD and the Bank of Italy
(12) Source: Prometeia Bank Financial Statement Forecast, January 2017

- A considerable decrease the stock of Non-Performing Loans through several sale transactions (some of which had been announced in 2016), the decrease in the number of positions becoming defaulted, as well as a reduction in the time for recovery of non-performing loans thanks to larger use of the means implemented by government reforms (out-of-court settlements and public sale portal);
- The implementation of recovery and capital strengthening plans by some important Banking Groups
- The continuation of the process to enhance structure efficiency with concomitant investments in the digitalization of processes.

To all the above, developments in the regulatory scenario will have to be added, as well as any further extraordinary contributions to the system and the effects of the monetary policies implemented by the ECB that will continue, also in 2017, to support the system's liquidity needs but will start the tapering of its quantitative easing program from March.

Based on these elements, for 2017 the expected performances of the main balance sheet aggregates are given below:

- <u>Loans</u>: slightly increasing (up by +0.9% YOY), mainly thanks to loans to households, which are expected to increase by 0.4%; the larger increase will be in consumer credit and home loans are also expected to increase, but more gradually
- <u>Funding from Customers</u>: decreasing due to the reduction in the bond component, only partially offset by the increase in deposits
- <u>Indirect funding</u>: increasing by +5% YOY according to the estimates, thanks to the growth (+7% YOY) in asset management products (funds, insurance and wealth management), partially offset by a decrease in assets under administration (-1.6% YOY).

The quality of the loan portfolio is expected to improve subsequent to the development in the market of sales of Non-Performing Loans. Bad loans are expected to decrease by 20%, with a stock that is expected to amount, at the end of 2017, to Euro 156 Bln (vs. Euro 200 Bln at the end of 2016).

Profitability is expected to improve vs. 2016, a year that was impacted by considerable non-recurring expenses regarding provisions for loans and expenses for restructuring plans.

In terms of income, rates continuing in the negative will still impact net interest income that is expected to increase slightly (+3.5% YOY) mainly subsequent to the recomposition of liabilities with a larger component of deposits and ECB financing and a smaller bond component that is more expensive. Fee and commission income – both from intermediation and advisory services and from traditional banking business – is expected to increase; on the other hand, lower dividends and lower revenues from trading are expected, since gains on proprietary securities will no longer be realized. The combination of these effects leads to forecasting essential stability of the net banking income for 2017.

In this scenario, featuring still weak income, the areas where the system is expected to take action in order to increase profitability are:

- <u>Improvement of operational efficiency</u>, with expenses estimated to decrease by 6.6% in 2017, continuing with the actions started in 2016 and aimed at the rationalization of staff and structures, as well as at process digitalization;
- <u>Reduction in the cost of risk</u>, through several transactions for the sale of bad loans, through the recognition in 2016 of considerable non-recurring provisions and also through faster and more efficient loan recovery processes, as well as through a lower number of positions becoming non-performing.

The "*Ambizione Italia 2020*" Plan of the Crédit Agricole Italia Banking Group, whose development lines have been described above, is being implemented throughout the Group consistently with the economic forecasts and with the expected developments and downsizing in the Italian banking system as described above.

Report on corporate governance and ownership structure – Information pursuant to Article 123-*bis* paragraph 2, letter b) of Italian Legislative Decree No. 58/98 (the Italian Consolidated Act on Finance – TUF)

INTERNAL CONTROL SYSTEM

The Crédit Agricole Italia Banking Group has progressively upgraded its internal controls system to the model implemented by the Controlling Company Crédit Agricole S.A., while ensuring full compliance of such system both with the Italian legislation, with reference to the Supervisory Provisions (specifically, Bank of Italy Circular No. 285/2013), and with the French legislation (where consistent with the Italian one).

The Group implements an internal controls system aimed at constant management of risks and at full adequacy of the control activities to its organizational structure, as well as at ensuring reliable, dependable, accurate and prompt reporting.

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

The analysis and monitoring of risks are carried out based on Group references, which provide for verification of abidance by the regulatory terms, of the reliability of process and their exercise, security and compliance.

As reported in the paragraph on risk management, the control system provides also for permanent controls and periodic controls.

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

The Departments, Divisions and Services engaged in 2n degree/2nd level (2.2) and 3rd degree 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.

COLLECTIVE 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 has 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 adopted organizational models and operating and control mechanisms that are adequate and compliant with the reference 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 all the Entities of the Group 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.

The Board of Auditors is the internal control body engaged in supervision of compliance with the Law and with the Articles of Association, with proper management principles, the adequacy of the Bank's organizational, administration and accounting structure Banca and its actual functioning.

Reference is made to the Report of the Board of Auditors for exhaustive information on the activities carried out in the reporting period and on their outcomes.

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.

DEPARTMENTS ENGAGED IN 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 that are responsible for second degree – second level controls;
- the Internal Audit Department that 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 Crédit Agricole Cariparma 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 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;
  - Risks concerning the security of Information Systems (ISS);
  - Risks concerning the Business Continuity Plan (BCP);
  - Physical security risks;
  - Risks concerning the provision of "Outsourced Important Operational Functions (Italian acronym FOIE)", which the Parent Company Crédit Agricole S.A. calls "Provision of Outsourced Essential Services (PSEE)".

The activities of the Validation Unit 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:

- Defines, in cooperation with the Chief Financial Officer (CFO), the Group Risk Appetite Framework, consistently with the guidelines and the strategic plan of the Parent Company Crédit Agricole S.A., setting the global operating limits within the scope of the Group Risk Strategy;
- Contributes to the definition of lending policies;
- Contributes to and validates the quantitative approaches for provisioning;
- 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 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 policies for loan coverage and is addressed to the Top Management, with the objective of presenting the performance of 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 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 Cariparma and for its solid-line reporting to the Group Internal Audit Department of the Parent Company Crédit Agricole SA.

The Internal Audit Department

- Performs periodic 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 Important Operational 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.

- Assesses 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 and with all applicable internal and external regulations;
- Provides the Top Management, the Corporate Bodies and the Parent Company Crédit Agricole S.A. with prompt and systematic reporting on the activities carried out.

COMPLIANCE DEPARTMENT

The Compliance Department is in charge of managing non-compliance risk abiding by national legislation and regulations, as well as by the guidelines issued by the Parent Company Crédit Agricole S.A. ("C.A.sa.").

This Department is directly responsible for managing non-compliance risk as regards the regulatory provisions that apply to banking and intermediation, for managing conflicts of interest, transparency with Customers, the legislation on consumer protection, the prevention of offences pursuant to Italian Legislative Decree No. 231/01, the prevention of risks in terms of money-laundering and terrorism financing pursuant to Italian Legislative Decree No. 231/07, the prevention of risks in terms of market abuses, protection of the Group's Companies, Employees and Top Management against risks of penalties, financial losses and reputational damage, also by providing advice and assistance, as well as the regulatory provisions for which no other specialist control is provided for.

However, the responsibility of the Department engaged in the regulatory compliance function extends also to legislation and regulatory provisions for which there are other specialist controls. As regards the latter provisions, the Compliance Department, in cooperation with the specialist Departments in charge, sets down at least risk the methods to assess non-compliance risks and identifies the relevant procedures verifying their adequacy to prevent non-compliance risk.

Moreover, 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 are also an opportunity to develop the Company's value for the benefit of all stakeholders.

MANAGER IN CHARGE

Pursuant to above-mentioned Article 154-*bis*, in a specific document attached to the Annual Report and Separate Financial Statements, the Annual Report and Consolidated Financial Statements and the Interim 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 books 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, of the situation of the Bank and of the Group, as well as the description of the main risks and uncertainties to which they are exposed.

STATUTORY AUDIT OF THE ACCOUNTS

The statutory audit of the accounts of the Crédit Agricole Italia Banking Group is assigned to an independent auditing company 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 Auditing Company 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 company EY S.p.A. until 31 December 2020.

Corporate Social Responsibility

Proximity to the communities it operates in, focus on people and on their enhancement, culture of trust and confidence, integrity of the business and of the underlying processes, innovation and quality are the values that inform the new identity of the Crédit Agricole Italia Banking Group and that steer its way of doing business. A strong point shared throughout the Group is proximity to economic players and direct relationship with Customers. This approach is a competitive leverage to better perform in the role of local (sustainable) development player: not simply an intermediary, but also an entity able to reinvest in the economic fabric in order to create the pre-conditions required for generating development. Indeed, the Crédit Agricole Italia Banking Group believes corporate social responsibility to be a driver for the creation of value and competitive advantage in the long-term: an element that is a more and more integral part of its corporate culture and informs its business plan.

The relationship with its stakeholders is at the heart of the Bank's way of doing business and of its identity. The Group pursues the creation of economic and social value, also through a strategy aimed at supporting the communities it operates in, which provides for maintaining and enhancing fruitful relations with its main stakeholders. To this purpose, the stakeholder engagement project continued also in 2016 – structured listening to all stakeholders – concerning, on a priority basis, the inside of the organization, involving all Top Managers of the Company, in order to identify approaches, projects and processes to strengthen the Bank's sustainability profile. This activity will continue in 2017 with a project for listening to external stakeholders focusing on some key topics that are deemed essential features of the business plan – and of the new identity – of the Group.

Therefore, for the Crédit Agricole Italia Banking Group, Corporate Social Responsibility (CSR) also contributes to the development of corporate strategies, fostering the creation of value for the Group's stakeholders through business initiatives, actions for the support to the communities and for the prevention and management of reputational risks. Specifically, the Group has implemented two specific tools for governing corporate social responsibility: the Sustainability Report and the FReD Project. The 2016 Sustainability Report has been prepared based on the GRI-G4 Sustainability Reporting Guidelines (in accordance – core) and presents a first-time consistency with Integrated Reporting principles, through a qualitative description of the main components of the Crédit Agricole Italia Banking Group's value creation model. In this document, the Bank describes its identity, reports its strategy and values, and monitors its main Corporate Social Responsibility actions based on the material matters, i.e. the matters that are considered priority by the Bank itself and by its reference stakeholders.

The fact that the Board of Directors of Crédit Agricole Cariparma approves the Sustainability Report concomitantly with its Annual Report and Financial Statements allows the Crédit Agricole Italia Banking Group to inform all its Stakeholders, in one go, on its performance, in financial, social and environmental terms.

The FReD metaproject, a common reference framework for CSR policies, which was promoted by Crédit Agricole S.A., has been designed to implement a dynamic and innovative CSR policy and its main task is circulating practices and behaviours with high sustainability content.

It aims at collective and continuous development, promotion, improvement of the Group's actions in terms of corporate social responsibility. FReD is based on three reference scopes: Confidence (respect for its Customers), Respect (respect for people) and Demetra (respect for the environment).

For further information on the CSR actions implemented by the Crédit Agricole Italia Banking Group, reference is made to the 2016 Sustainability Report and to the Website www. gruppocariparma.it/menu/responsabilita-sociale-d-impresa.

The FReD projects implemented in 2016 by the Crédit Agricole Italia Banking Group are reported below:

2016 FRED PROJECTS

	PROJECTS	CRITERIA	DEVELOPMENT AXES	PROGRESS
CONFIDENCE	"CartaConto Lega Filo d'Oro" Project	Developing our range of products and services, as well as procedures that integrate social and business elements	Savings	Implemented
	"Must ACHAT" Home Project Responsible Purchasing Policy	Integrating CSR in the purchasing action perimeter, Standardizing our practices within the Entities of the Group	Establishing responsible relationships with vendors and sub-vendors	2017
	Crédit Agricole Italia Banking Group "DonnAzienda" Project for women entrepreneurship	Making our products and services as accessible as possible to economically vulnerable populations	Accessibility to economically vulnerable populations	2017
	Integration of ESG standards in the sector-specific polices applying to lending	Developing our range of products and services, as well as procedures that integrate social and business elements	Lending	2017
	ANFFAS Project – Carispezia	Making our products and services as accessible as possible	Accessibility to disabled people	Implemented
RESPECT	Diversity Home Project	Ensuring fairness and promoting diversity	Diversity promotion	2018
	Leadership Development	Encouraging and fostering staff development	Responsible Management	2017
	Corporate mentorship	Encouraging and fostering staff development	Responsible Management	2017
	Smart working	Fostering good quality of life at the workplace	Work-life balance	2017
	Adopt a Class	Promoting economic, social and cultural development of the communities the Group operates in	Fostering entry into employment	2017
DEMETRA	Cavagnari Green Heart Project	Promoting green innovation in our industrial production (direct impacts)	Ecodesign of production processes	2018
	Home Project – Reducing Greenhouse Gas Emissions by 10%	Controlling our direct impact on the environment and protecting Nature	Energy	2018
	Carispezia "Green Day Care" Project	Building communication with the stakeholders	Environment	2018
	To work together! – FriulAdria	Promoting staff participation in social dialogue	Participation	Implemented
	CALIT "Investments in renewable energies" Project	Developing a green range of products and services (indirect impacts)	Developing a green range of products and services in lending and financing activities	2017

Certification of compliance of the Annual Report and Consolidated Financial Statements pursuant to Article 154 *bis* of Italian Legislative Decree No. 58/1998

CRÉDIT AGRICOLE CARIPARMA

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 Cariparma 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 2016 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 2016:

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, 23 March 2017

Giampiero Maioli	Pierre Débourdeaux
Chief Executive Officer	Senior Manager in charge of the preparation of the Company accounting statements

Crédit Agricole Cariparma S.p.A. - Sede Legale Via Università, 1 - 43121 Parma - Telefono 0521.912111

Report of the Board of Auditors on the activities performed and on the separate and consolidated financial statements as at 31 December 2016

Dear Shareholders,

In the reporting year, the Board of Auditors of Crédit Agricole Cariparma S.p.A. (hereinafter also referred to simply as "Crédit Agricole CRP"), appointed by the General Meeting of Shareholders on 28 April 2016, performed its supervisory activities as provided for by the Company's Articles of Association and by the main legislation provisions listed below:

- The Italian Civil Code;
- Italian Legislative Decree No. 39 of 27 January 2010 ("Implementation of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts");
- Italian Legislative Decree No. 58 of 24 February 1998 (the "Italian Consolidated Act on Finance")
- The Italian legislation on the Bank of Italy's supervisory activities, with specific reference, as regards this point, to Italian Legislative Decree No. 385 of 1 September 1993 (the "Italian Consolidated Banking Act"), to Italian Legislative Decree No. 231 of 21 September 2007 ("Implementation of Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, as well as Directive 2006/70/EC laying down the relevant implementing measures, as amended and integrated").
- By the Instructions and Provisions issued by the Bank of Italy, especially the Supervisory Provisions Concerning Banks' Organization and Corporate Governance.

The Board of Auditors performed its activities in accordance also with the Principles of Conduct recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (the Italian National Association of Chartered Accountants and Tax Advisors), also with the support provided by the Company's Structures and Departments engaged in internal control functions.

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Supervisory activities

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 Cariparma in its capacity as the Parent Company.

Moreover, pursuant to Articles 16 and 19 of the above-mentioned Italian Legislative Decree No. 39/2010, this Board supervised:

a) The financial reporting process;
b) The effectiveness of the systems of internal control, internal audit and risk management;

c) The statutory audit of annual accounts, both separate and consolidated;
d) The independence of the statutory auditor or of the audit firm tasked with the statutory audit of the accounts, especially as regards the provision of services other than audit ones to the entity subject to the statutory audit of the accounts.

In order to perform all the above, in the period from the date of preparation of the Report to the 2015 Financial Statements to today's date, the Board of Auditors held 44 meetings (substantiated by the relevant minutes entered in the Book of minutes of the meetings of the Board of Auditors); specifically, the Board:

- Carried out its self-assessment on 18 March 2016, with reference to the 2015 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 provisions issued by the Bank of Italy;
- Implemented its annual work plan, which included meetings with the various corporate departments and roles on a regular basis. These activities mainly consisted of meetings with the Top Management, the Heads of Central Departments engaged in control functions (Compliance, Risk Management and Permanent Controls, Internal Audit) and the Head of Departments and Divisions engaged in the management of operations and administration;
- Carried out professional refresher and training activities, also by participating in external events, such as the "High Training Course for Boards of Auditors" organized by ABI Formazione (an entity of the Italian Banking Association engaged in training) and the meeting "Forum on Corporate Control Functions" promoted by the Italian Banking Association (ABI).

Moreover, this Board:

1. Participated in all General Meetings, in all meetings of the Board of Directors and of the Executive Committee and, therefore, it can attest that these meetings were held in compliance with the Articles of Association and the applicable legislation governing their operation, and it can reasonably state that the actions that were resolved complied with the applicable rules of law and with the Company's Articles of Association and that they were not blatantly imprudent, risky, in conflict of interests or such as to jeopardize the Company's assets and equity;
2. 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 Top Management (Chief Executive Officer, Co-General Manager, Vice-General Manager), on the general performance and outlook of operations, as well as on the most significant transactions, in terms of their size or features, carried out by the Company. The Executive Committee and the Chief Executive Officer regularly reported to the Board of Directors on the exercise of their respective responsibilities and powers, as well as on all significant transactions;
3. The Board of Auditors supervised intra-group transactions and transactions with related parties, by participating, represented by its Chairman or by an Auditor acting as the Chairman's deputy, in the Related Parties Committee (set up with a resolution of the Board of Directors dated 24 November 2010) and in the meetings of the BoD and of the Executive Committee, in accordance with the "Regulation for Risk Assets and Conflicts of Interests with Parties associated to the Crédit Agricole Italia Banking Group". Moreover, the Board of Auditors acknowledges that, in paragraph 2 of "Part H" of the Note to the Financial Statements, the Board of Directors stated that "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 minority shareholders";
4. Participated, represented by its Chairman and/or another of its Members, in the Loan Committee of the Bank and of the Group;
5. Participated, represented by its Chairman and/or another of its Members, in the Appointments Committee and Remuneration Committee of the Bank and of the Group;
6. Monitored, specifically at the meetings between the Board of Auditors, the Top Officers and the Heads of Departments engaged in control functions (the so-called Internal Control Committee), the outcomes of the control activities, the progress in the Internal Audit, Risk Management and Compliance projects, also regarding the Integrated Control System and in terms of anti-money-laundering and MiFID;

7. 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 accounting documents, receiving copies of the reports prepared by the various Corporate Bodies and Committees engaged in control functions. Moreover, in this regard, it is reported that this Board participated as a whole or represented by its Chairman and/or another of its Members, in the meetings of the Internal Control Audit Committee;
8. Operated in coordination with the Audit Firm in charge of the statutory audit of the accounts, EY S.p.A. (who has been tasked with the statutory audit of the accounts for the 2012-2020 period pursuant to the resolution of the General Meeting of Shareholders dated 23 April 2012): to this end, regular meetings were held, both to examine the quarterly accounts and to exchange information as relevant for the performance of the respective tasks and for the analysis of the work carried out by the Audit Firm. It is pointed out that the Independent Audit Firm did not inform the Board of Auditors, at the above meetings or with other procedures, of any irregularities, problems and/o inadequacy detected: moreover, the Board acknowledges that it has received the report pursuant to Article 19, paragraph 3 of Italian Legislative Decree No. 39/2010 issued on 24 March 2017, which does not contain any findings of significant deficiencies in the internal control system regarding the financial reporting process.

   This Board has also verified that the Firm tasked with the statutory audit of the accounts published the annual transparency report on its website pursuant to Article 18 of the above-mentioned Italian Legislative Decree No. 39 of 27 January 2010 in compliance with the terms set down by law and provided this Board with the annual confirmation of independence pursuant to Article 17, paragraph 9, letter a of the above-mentioned Italian Legislative Decree No. 39/2010;
9. Supervised the consistency and compliance of the Internal Capital Adequacy Assessment Process (ICAAP) with the set regulatory requirements. Moreover, this Board obtained relevant information on this matter from the competent Departments and Roles – including the Risk Management and Permanent Controls Department – at the meetings held on a regular basis.

   Specifically, the Document “ICAAP Report as at 31 December 2015” was submitted to the Board of Directors on 28 April 2016 after being examined by this Board, whereas the “ICAAP Report as at 31 December 2016” will be submitted to the Board of Directors on 27 April 2016;
10. Worked in close cooperation with the Boards of Auditors of the Subsidiaries, also through joint meetings held with their respective Control Bodies. At these meetings, no elements emerged which were to be submitted to the Shareholders of the Controlling Company;
11. 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, in whose meetings the Chairman of the Board of Auditors and/or another Auditor are regularly invited to participate.

Moreover, in 2016 this Board specifically expressed its favourable opinion on several matters, including:

- Amendments to the Company’s Articles of Association;
- Report on the internal validation activities and annual report made by the Internal Audit Department on the AIRB system;
- Report on operations regarding Covered bonds;
- 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 Important Operational Functions and the Internal Audit Report on the “Cash handling process”;
- Report on non-compliance risks.

Moreover, following a letter sent by the Bank of Italy on 9 November 2016 concerning “Adequacy of the anti-money-laundering system”, the Board of Auditors expresses its assessments on the reply prepared by the Bank. In this regard, it is reported that, on 2 August

2016, the Chairpersons of the Board of Directors and of the *Organismo di Vigilanza* ex Italia informed the Bank of Italy and the Financial Intelligence Unit, pursuant to Article 52, paragraph 2 of Italian Legislative Decree No. 231 of 21 November 2007, of some anomalies detected

in the data sent to the Single Financial Transactions Database and regarding transactions on a technical account; the Parent Company started a remedial plan to correct these anomalies, which was reported in the reply to the above letter.

This Board also supervised the operations of the subsidiary "Crédit Agricole Group Solutions Società Consortile per Azioni", a not-for-profit consortium company which was incorporated in 2015 and provides services, mainly but not exclusively to or mainly but not exclusively in the interest of, its shareholders. All the Group's activities relating to the Operational Processes, Information Systems, Technical Logistics, Safety and Security, Business Continuity, Purchases and Real Estate Management, Human Resources Administration areas were transferred to this Company.

As already pointed out in the Report to the Financial Statements for the previous reporting period, this Board, within its responsibilities, continued to monitor the activities and projects for the strengthening of the governance structures and their upgrading to the size reached by the Crédit Agricole Italia Banking Group and to the complex market scenario, with specific regard to the adequacy of controls on business risks. In this regard, this Board acknowledges that (as exhaustively explained in the Management Report), in 2016, the Crédit Agricole Italia Banking Group proactively continued to implement the internal controls system in force, in compliance with the corporate regulations, the supervisory provisions issued by the Bank of Italy and with the guidelines issued by the Controlling Company Crédit Agricole S.A. On this matter, it is worth stressing the constant and increasing focus on the Risk Strategy, which sets the levels of risk (credit, financial, market and operational risks) which the Group deems adequate to its development strategy. In this regard, it is also reported that, within the process for upgrading to the Supervisory regulations, in 2016 the Crédit Agricole Italia Banking Group also continued with the process for the fine-tuning of its Risk Appetite Framework (RAF), consistently with the guidelines and with the strategic plan of the Parent Company.

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.

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Separate and Consolidated Financial Statements and proposal to allocate the profit for the year

The Annual Report and Financial Statements as at 31 December 2016 are governed by Italian Legislative Decree No. 38 of 28 February 2005 and by Circular No. 262 issued by the Bank of Italy on 22 December 2005, as updated on 15 December 2015 (fourth update) and were prepared in accordance with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) applicable and in force as at 31 December 2016, 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 IAS/IFRS.

The Consolidated Financial Statements as at 31 December 2016 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 amended in December 2015, 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, as endorsed by the European Commission pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

As specified by the Directors in the Note to the Consolidated Financial Statements, the consolidation perimeter includes, in addition to the Parent Company Crédit Agricole Cariparma S.p.A., the subsidiaries:

1. Crédit Agricole FriulAdria S.p.A. (name currently being adopted),
2. Crédit Agricole Carispezia S.p.A. (name currently being adopted),
3. Crédit Agricole Leasing Italia S.r.l.,
4. Crédit Agricole Group Solutions S.c.p.a.,
5. Sliders S.r.l.,
6. Crédit Agricole Italia OBG S.r.l.
7. Mondo Mutui Cariparma S.r.l. (a company that is not formally a subsidiary, since it is a special-purpose entity, and that has been consolidated on a line-item basis pursuant to IFRS 10 Consolidated Financial Statements – Special-Purpose Entities)
8. Italstock S.r.l.

Having regard to the Consolidated Financial Statements as at 31 December 2016, the General Meeting of Shareholders 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.

The Board of Auditors also acknowledges that it received the reports prepared by the Independent Auditors in charge of the statutory audit of the accounts on the Separate Financial Statements and on the Consolidated Financial Statements as at 31 December 2016, which were issued on 24 March 2017 and which communicate no misstatements detected and no requests for further disclosure.

As to the proposal for the allocation of the profit for the year, this Board reports that, on 14 March 2017, it received a letter from the Bank of Italy – Bologna Office, containing specific reference to the instructions on dividend distribution policies and to "*the need to implement conservative policies ensuring constant compliance with the capital requirements set down by Regulation (EU) No. 575/2013 (CRR) and by Bankit Circular No. 285 of 17 December 2013, and ensuring gradual compliance with the highest capital requirements that shall enter into force at the end of the transitional period (fully loaded ratios).*" In this regard, the Board of Auditors can state that the proposal made by the Board of Directors for profit distribution provides for lower payout ratio and is compliant with the indications given in the above letter.

***

Conclusions

Dear Shareholders,

Given that the reports received to date from EY S.p.A., the independent auditors in charge of the statutory audit of the accounts of Crédit Agricole Cariparma S.p.A. as at 31 December 2016, contain no remarks regarding any misstatements and no requests for further disclosure, given the information received to date from the Manager in charge of the preparation of the corporate accounting documents, who, in his Report pursuant to Article 154-*bis* of the Italian Consolidated Act on Finance (TUF), does not point out any deficiencies or problems, the Board of Auditors, based on the activities it carried out and on all the above, expresses its favourable opinion on the approval of the Financial Statements, the Management Report to the Financial Statements and the proposal for the allocation of the net profit for the year, as submitted by the Board of Directors for your examination and approval.

***

Parma, Italy, 6 April 2016

The Board of Auditors
(Paolo Alinovi)
(Luigi Capitani)
(Maria Ludovica Giovanardi)
(Stefano Lottici)
(Germano Montanari)

Independent Auditors' Report

EY S.p.A.
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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39, DATED 27 JANUARY 2010
(Translation from the original Italian text)

To the Shareholders of Crédit Agricole Cariparma S.p.A.

Report on the consolidated financial statements

We have audited the consolidated financial statements of Crédit Agricole Italia Banking Group, which comprise the balance sheet as at December 31, 2016, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the related explanatory notes.

Directors' responsibility for the consolidated financial statements

The Directors of Crédit Agricole Cariparma S.p.A. are responsible for the preparation of these 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 art. 9 of Legislative Decree n. 38, dated 28 February 2005 and art. 43 of Legislative Decree n. 136, dated 18 August 2015.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 2.950.000,00
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A member firm of Ernst & Young Global Limited

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Crédit Agricole Italia Banking Group as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005 and art. 43 of Legislative Decree n. 136, dated 18 August 2015.

Report on other legal and regulatory requirements

Opinion on the consistency of the Management Report and of specific information of the Reporting on corporate governance and ownership structure with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion on the consistency of the Management Report and of specific information of the Reporting on corporate governance and ownership structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements, as required by the law. The Directors of Crédit Agricole Cariparma S.p.A. are responsible for the preparation of the Management Report and of the Reporting on corporate governance and ownership structure in accordance with the applicable laws and regulations. In our opinion the Management Report and the specific information of the Reporting on corporate governance and ownership structure are consistent with the consolidated financial statements of Crédit Agricole Italia Banking Group as at December 31, 2016.

Milan, March 24, 2017

EY S.p.A.
Signed by: Massimiliano Bonfiglio, partner

This report has been translated into the English language solely for the convenience of international readers.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

Assets		31.12.2016	31.12.2015
10.	Cash and cash equivalents	223,966	1,390,189
20.	Financial assets held for trading	91,810	107,934
30.	Financial assets designated at fair value	–	–
40.	Financial assets available for sale	5,423,218	5,808,849
50.	Investments held to maturity	–	–
60.	Loans to banks	4,383,986	2,869,109
70.	Loans to Customers	38,209,279	36,462,501
80.	Hedging derivatives	749,490	692,455
90.	Fair value change of financial assets in macro-hedge portfolios (+/–)	8,810	11,191
100.	Equity investments	10	2,583
110.	Reinsurers' share of technical reserves	–	–
120.	Property, plant and equipment	519,140	487,556
130.	Intangible Assets	1,888,181	1,894,026
	of which: goodwill	1,575,536	1,575,536
140.	Tax assets	1,087,730	1,177,577
	a) current	319,298	374,177
	b) deferred	768,432	803,400
	b1) pursuant to Italian Law No. 214/2011	686,948	738,304
150.	Non-current assets held for sale and discontinued operations	–	–
160.	Other assets	406,384	469,207
Total assets		**Total assets**	**51,373,177**

Liabilities and Equity		31.12.2016	31.12.2015
10.	Due to banks	4,936,319	4,289,627
20.	Due to Customers	31,136,638	28,402,451
30.	Debt securities issued	8,756,041	10,597,134
40.	Financial liabilities held for trading	103,135	117,472
50.	Financial liabilities designated at fair value	–	–
60.	Hedging derivatives	748,527	670,155
70.	Fair value change of financial liabilities in macro-hedge portfolios (+/–)	550,874	536,339
80.	Tax liabilities	200,227	335,429
	(a) current	114,253	209,020
	b) deferred	85,974	126,409
90.	Liabilities associated with non-current assets held for sale and discontinued operations	–	–
100.	Other liabilities	932,931	990,561
110.	Employee severance benefits	146,378	144,318
120.	Provisions for risks and charges	193,326	151,542
	(a) Post-employment benefits	19,045	20,117
	b) Other provisions	174,281	131,425
130.	Technical reserves	–	–
140.	Valuation reserves	–13,429	76,615
150.	Redeemable shares	–	–
160.	Equity instruments	200,000	–
170.	Reserves	1,078,826	1,014,072
180.	Share premium reserve	2,735,462	2,735,462
190.	Share capital	876,762	876,762
200.	Treasury shares (+/–)	–4,035	–
210.	Equity attributable to minority interest	205,898	214,602
220.	Profit (Loss) for the year	208,124	220,636
Total liabilities and shareholders' equity		**52,992,004**	**51,373,177**

CONSOLIDATED INCOME STATEMENT

Items		31.12.2016	31.12.2015
10.	Interest income and similar revenue	1,070,801	1,245,127
20.	Interest expenses and similar charges	(195,823)	(303,843)
30.	**Net interest income**	**874,978**	**941,284**
40.	Fee and commission income	710,132	700,374
50.	Fee and commission expense	(29,595)	(28,254)
60.	**Net fee and commission income**	**680,537**	**672,120**
70.	Dividends and similar revenues	8,742	7,570
80.	Net profit (losses) on trading activities	16,307	10,420
90.	Net profit (losses) on hedging activities	(7,118)	(14,456)
100.	Profit (losses) on disposal or repurchase of:	30,051	34,766
	a) loans	(16,519)	(14,031)
	b) financial assets available for sale	48,851	51,011
	c) investments held to maturity	–	–
	d) financial liabilities	(2,281)	(2,214)
110.	Profit (losses) on financial assets and liabilities designated at fair value	–	(421)
120.	**Net interest and other banking income**	**1,603,497**	**1,651,283**
130.	Net losses/recoveries on impairment of:	(221,058)	(313,730)
	a) loans	(221,133)	(311,748)
	b) financial assets available for sale	(655)	(878)
	c) investments held to maturity	–	–
	d) other financial activities	730	(1,104)
140.	**Net income from banking activities**	**1,382,439**	**1,337,553**
150.	Net premium income	–	–
160.	Balance of other revenues/expenses from insurance activities	–	–
170.	**Net income from banking activities and insurance activities**	**1,382,439**	**1,337,553**
180.	Administrative expenses:	(1,236,441)	(1,181,907)
	a) Personnel expenses	(636,926)	(585,610)
	b) other administrative expenses	(599,515)	(596,297)
190.	Net provisions for risks and charges	(17,277)	(12,716)
200.	Impairments/recoveries on property, plant and equipment	(29,938)	(29,564)
210.	Impairments/recoveries on intangible assets	(67,029)	(61,636)
220.	Other operating expenses/income	286,977	286,873
230.	**Operating expenses**	**(1,063,708)**	**(998,950)**
240.	Profit (losses) on equity investments	9,766	10,790
250.	Profit (losses) from property, plant and equipment and intangible assets designated at fair value	–	–
260.	Impairment on goodwill	–	–
270.	Profit (losses) on disposal of investments	(244)	136
280.	**Profit (loss) before taxes from continuing operations**	**328,253**	**349,529**
290.	Taxes on income from continuing operations	(109,285)	(118,645)
300.	**Profit (loss) from continuing operations, net of taxes**	**218,968**	**230,884**
310.	**Profit (loss) from discontinued operations, net of taxes**	**–**	**–**
320.	**Net profit (loss) for the year**	**218,968**	**230,884**
330.	Profit (loss) for the year attributable to minority interest	(10,844)	(10,248)
340.	**Net profit (loss) for the year attributable to the Parent Company**	**208,124**	**220,636**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2016	31.12.2015
10.	**Profit (Loss) for the year**	**218,968**	**230,884**
	Other comprehensive income after taxes with not reversed in profit or loss		
20.	Property, plant and equipment	–	–
30.	Intangible Assets	–	–
40.	Actuarial profit (losses) on defined-benefit plans	(3,972)	5,778
50.	Non-current assets held for sale /disposal groups	–	–
60.	Share of Valuation Reserves on equity investments measured using the equity method	–	–
	Other comprehensive income after taxes reversed in profit or loss	–	–
70.	Hedges of foreign investments		
80.	Exchange rate differences	–	–
90.	Cash flow hedges	–	–
100.	Financial assets available for sale	(90,308)	30,402
110.	Disposal groups	–	–
120.	Share of Valuation Reserves on equity investments measured using the equity method	–	–
130.	**Total other comprehensive income after taxes**	**(94,280)**	**36,180**
140.	**Comprehensive income (Item 10+130)**	**124,688**	**267,064**
150.	Consolidated comprehensive income attributable to minority interest	6,608	13,066
160.	**Consolidated comprehensive income attributable to the Parent Company**	**118,080**	**253,998**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2016

	Share capital ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Treasury shares	Net profit (loss) for the year	Shareholders' equity
			Retained earnings	Other					
GROUP SHAREHOLDERS' EQUITY AS AT 31.12.2015	876,762	2,735,462	1,029,228	–15,156	76,615	–	–	220,636	4,923,547
MINORITY INTERESTS AS AT 31.12.2015	61,502	102,913	31,877	2,939	5,123	–	–	10,248	214,602
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR	–	–	–	–	–	–	–	–	–
Reserves	–	–	60,154	–	–	–	–	–60,154	–
Dividends and other allocations	–	–	–	–	–	–	–	–170,730	–170,730
CHANGES FOR THE YEAR	–	–	–	–	–	–	–	–	–
Change in reserves	–	–	–	–	–	–	–	–	–
Transactions on equity	328	–	–	–	–	–	–	–	328
Issue of new shares	–	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	–	–	–	–5,000	–	–5,000
Change in equity instruments	–	–	–	–	–	200,000	–	–	200,000
Charity	–	–	1,226	–	–	–	–	–	1,226
Consolidation adjustments	–760	–2,972	2,054	–	–1	–	–	–	–1,679
Shares and rights on shares of the Parent Company assigned to employees and directors	–	–	–	622	–	–	–	–	622
Comprehensive income	–	–	–	–	–94,280	–	–	218,968	124,688
GROUP SHAREHOLDERS' EQUITY AS AT 31.12.2016	**876,762**	**2,735,462**	**1,093,360**	**–14,534**	**–13,429**	**200,000**	**–4,035**	**208,124**	**5,081,710**
MINORITY INTEREST AS AT 31.12.2016	**61,070**	**99,941**	**31,181**	**2,939**	**887**	**–**	**–964**	**10,844**	**205,898**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2015

	Share capital ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Net profit (loss) for the year	Shareholders' equity
			Retained earnings	Other			
GROUP SHAREHOLDERS' EQUITY AS AT 31.12.2014	876,762	2,735,462	968,416	–15,156	43,254	160,155	4,768,893
MINORITY INTERESTS AS AT 31.12.2014	61,477	102,913	32,127	2,939	2,305	8,927	210,688
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR	–	–	–	–	–	–	–
Reserves	–	–	59,642	–	–	–59,642	–
Dividends and other allocations	–	–	–	–	–	–109,440	–109,440
CHANGES FOR THE YEAR	–	–	–	–	–	–	–
Change in reserves	–	–	–	–	–	–	–
Transactions on equity	–	–	–	–	–	–	–
Issue of new shares	25	–	–	–	–	–	25
Purchase of treasury shares	–	–	–	–	–	–	–
Charity	–	–	1,229	–	–	–	1,229
Consolidation adjustments	–	–	20	–	–	–	–
Shares and rights on shares of the Parent Company assigned to employees and directors	–	–	–	–	–	–	–
Comprehensive income	–	–	–	–	36,180	230,884	267,064
GROUP SHAREHOLDERS' EQUITY AS AT 31.12.2015	**876,762**	**2,735,462**	**1,029,228**	**–15,156**	**76,615**	**220,636**	**4,923,547**
MINORITY INTERESTS AS AT 31.12.2015	**61,502**	**102,913**	**31,877**	**2,939**	**5,123**	**10,248**	**214,602**

CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2016

	31.12.2016	31.12.2015
A. OPERATIONS		
1. Cash flow from (used in) operations	**1,163,805**	**1,216,531**
– Profit (Loss) for the year (+/–)	208,124	220,636
– profit (losses) on financial assets held for trading and financial assets/liabilities designated at fair value (–/+)	–1,910	–2,589
– profit/losses on hedging activities (–/+)	7,118	–14,456
– net losses/recoveries on impairment (+/–)	194,919	293,660
– net adjustments to/recoveries on property, plant and equipment and intangible assets (+/–)	96,967	91,200
– net provisions for risks and charges and other income/expenses (+/–)	17,277	12,716
– unpaid taxes and tax credits (+)	109,285	118,645
– other adjustments (+/–)	532,025	496,719
2. Cash flow from (used in) financial assets	**–3,193,456**	**1,625,517**
– financial assets held for trading	10,916	106,041
– financial assets designated at fair value	0	15,551
– financial assets available for sale	278,548	426,213
– loans to banks: demand	–4,506	63,917
– loans to banks: other loans	–1,510,371	344,749
– loans to customers	–1,876,889	509,015
– other assets	–91,154	160,031
3. Cash flow from (used in) financial liabilities	**940,723**	**–1,544,683**
– due to banks: demand	–140,908	–173,357
– due to banks: other due and payables	787,600	–2,318,426
– due to customers	2,734,187	3,088,030
– debt securities issued	–1,821,407	–1,362,322
– financial liabilities held for trading	–14,337	–102,121
– other liabilities	–604,412	–676,487
Net cash flow from (used in) operating activities	**–1,088,928**	**1,297,365**
B. INVESTING ACTIVITIES		
1. Cash flow from	**21,516**	**23,321**
– sales of equity investments	12,667	15,511
– dividends received on equity investments	8,742	7,570
– sales of property, plant and equipment	107	240
2. Cash flow used in	**–123,081**	**–106,059**
– purchases of equity investments	–	–20
– purchases of property, plant and equipment	–61,897	–57,056
– purchases of intangible assets	–61,184	–48,983
Net cash flow from (used in) investment activities	**–101,565**	**–82,738**
C. FUNDING ACTIVITIES		
– issues/purchases of treasury shares	–5,000	–
– issues/purchases of equity instruments	200,000	–
– distribution of dividends and other scope	–170,730	–109,440
Net cash flow from (used in) funding	**24,270**	**–109,440**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**–1,166,223**	**1,105,187**

RECONCILIATION

Financial Statement items	31.12.2016	31.12.2015
Cash and cash equivalents at the beginning of the year	1,390,189	285,002
Net increase (decrease) in cash and cash equivalents	–1,166,223	1,105,187
Cash and cash equivalents at the end of the year	**223,966**	**1,390,189**

KEY:
(+) generated
(–) absorbed

Note to the Consolidated Financial Statements

PART A – ACCOUNTING POLICIES

A.1 General part

Section 1 – Statement of compliance with the International Accounting Standards

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 – IAS/IFRS – 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 2016 (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 layouts of the financial statements and the contents of the note to the financial statements have been prepared in accordance with the provisions set down in Circular No. 262 “Banks’ financial statements: layout and preparation” issued by the Bank of Italy on 22 December 2005, within the exercise of its powers as provided for in Article 9 of Italian Legislative Decree No. 38/2005, and in compliance with the subsequent updates issued on 18 November 2009, 21 January 2014 and 15 December 2015.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND ENTERED INTO FORCE IN 2016

Standards, amendments or interpretations	Date of publication	Date of first application
Amendments to IAS 16 – Property, Plant and Equipment	24 November 2015 (EU No. 2113/2015)	1 January 2016
Amendment to IAS 41 – Agriculture	24 November 2015 (EU No. 2113/2015)	1 January 2016
Amendments to IAS 1 Presentation of Financial Statements, IAS 17 Leases , IAS 23 Borrowing Costs, IAS 36 Impairment of Assets and IAS 40 Investment Property	24 November 2015 (EU No. 2113/2015)	1 January 2016
Amendments to IFRS 11 Joints Arrangements	25 November 2015 (EU No. 2173/2015)	1 January 2016
Amendments to IAS 16 – Property, Plant and Equipment	3 December 2015 (EU No. 2231/2015)	1 January 2016
Amendment to IAS 38 Intangible Assets	3 December 2015 (EU No. 2231/2015)	1 January 2016
Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosure, IAS 19 Employee Benefits, IAS 34 Interim Financial Reporting and IFRS 1 First-time Adoption of International Financial Reporting Standards	16 December 2015 (EU No. 2343/2015)	1 January 2016
Amendments to IAS 1 – Presentation of Financial Statements.	19 December 2015 (EU No. 2406/2015)	1 January 2016
Amendments to IAS 34 Interim Financial Reporting	19 December 2015 (EU No. 2406/2015)	1 January 2016
Amendment to IFRS 7 – Financial instruments	19 December 2015 (EU No. 2406/2015)	1 January 2016
Amendments to IFRS 1 – First-time adoption of International Financial Reporting Standards	23 December 2015 (EU No. 2441/2015)	1 January 2016
Amendments to IAS 27 – Separate Financial Statements	23 December 2015 (EU No. 2441/2015)	1 January 2016
Amendments to IAS 28 – Investments in Associates and Joint Ventures.	23 December 2015 (EU No. 2441/2015)	1 January 2016
Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures	23 September 2016 (EU No. 1703/2016)	1 January 2016

The application of these new provisions did not generate material impacts on the profit (loss) and net financial position for the year.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION IN 2016 BUT NOT YET ENTERED INTO FORCE

Standards, amendments or interpretations	Date of publication	Date of first application
IFRS 15 Revenue from Contracts with Customers	29 October 2016 (EU No. 1905/2016)	1 January 2018
IFRS 9 Financial instruments	29 November 2016 (EU No. 2067/2016)	1 January 2018

IFRS 15 Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" will be effective for annual periods beginning on or after 1 January 2018 (in accordance with Regulation (EU) 2016/1905). The amendment "Clarifications to IFRS 15", which provides further specifications on the standard implementation, is currently being endorsed by the European Union and should enter into force on the same date.

On its first-time adoption of this standard, the Crédit Agricole Italia Banking Group has opted for the modified retrospective transition approach, recognizing the cumulative effects as at 1 January 2018, with no comparative for 2017, and reporting any impacts generated by the standard application on the various financial statement items in an annex.

IFRS 15 will replace IAS 11 *Construction Contracts,* IAS 18 *Revenue*, as well as all related interpretations, namely IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

IFRS 15 is a single text grouping the standards for recognition of revenue from construction contracts and from sales of goods and services, which do not fall within the scope of application of the standards concerning financial instruments (IAS 39), insurance contracts (IFRS 4) or leases (IAS 17). It implements some new concepts, which could change recognition of some items within the net banking income.

An impact analysis standard of the implementation of this standard by the Crédit Agricole Italia Banking Group is underway; the first results are expected in the first half of 2017. At present, no significant impacts are expected on the profit (loss) of the Crédit Agricole Italia Banking Group.

IFRS 9 Financial Instruments

Effective on 1 January 2018, IFRS 9 "*Financial Instruments"* will replace IAS 39 "*Financial Instruments"*. It was endorsed by the European Union on 22 November 2016 and published in the Official Journal of the European Union on 29 November 2016.

IFRS 9 sets down new principles for classification and measurement of financial instruments, for credit risk measurement (Impairment) and hedge accounting, excluding macro-hedging.

The main changes implemented by the standard

Classification and measurement of financial assets

In accordance with IFRS 9, classification and measurement depend on the nature (i.e. cash flow characteristics) of the specific financial assets to be recognized, be they debt instruments (*i.e.* loans, advances, credit claims, bonds, fund units) of capital instruments (*i.e.* shares).

To classify and measure debt instruments *(loans and securities with fixed or determinable revenues)* recognized as financial assets, IFRS 9 is based on business models and on the analysis of the contractual characteristics.

– The standard provided for three business models:
- The *Collect business model*, whose objective is to collect, i.e. to hold financial assets in order to collect contractual cash flows over the instrument useful life;
- The *Collect & Sell business model*, whose objective is achieved by both collecting contractual cash flows and selling financial assets, should the latter opportunity arise;
- The *Sell business model*, whose objective is to sell the assets.

– The contractual characteristics ("*Solely Payments of Principal & Interests*" or "*SPPI*" test):

This second required verification concerns the contractual characteristics of the loan or debt securities to assess the final eligibility of the instrument, within the above-reported business models and, subsequently, in the relevant accounting category.

When expected cash flows from a debt instrument reflect not solely principal and interest (*i.e.* pure remuneration of the principal amount outstanding by applying a simple interest rate), the instrument's contractual characteristics are considered complex and, this being the case, the loan or debt security shall be measured at *fair value through profit or loss* (*FVTPL*), irrespective of the busines model. Cases referring to instruments that do not meet the conditions of the "solely payments of principal and interest on the principal amount outstanding" test '*SPPI*'.

As regards this aspect, some interpretations are still being studied by the IASB. Therefore, the Crédit Agricole Italia Banking Group is closely following the topics dealt with by the IASB, especially regarding some penalties for early repayment (i.e. prepayment), and assessing the relevant conclusions.

Based on the above criteria:

- A debt instrument is measured at amortised cost upon condition that it is held to collect future cash flows from it, granted full compliance with the *SPPI test*.
- A debt instrument is measured at "fair value through other comprehensive income with recycling" (*FVOCIR*) upon condition that it falls within a holding to collect contractual cash flows and selling according to the opportunities and upon conditions that it passes the *SPPI* test.
- A debt instrument that is not eligible for the category measured at amortized cost or at fair value through other comprehensive income with recycling shall be measured at *fair value through profit or loss* (*FVTPL*). This regards units in standalone collective investment undertakings (OICR), which are considered debt instruments not complying with the *SPPI* test, irrespective of the business model. This classification applies also to debt instruments which the Sell business model applies to.

Equity instruments (equity investments) shall be measured at *fair value through profit or loss* (FVTPL) except where the irrevocable option is exercised allowing them to be measured at *fair value through other comprehensive income with no recycling* (*FVOCINR)*, once having determined that these instruments are not held for trading.

In short, the application of the IFRS 9 classification and measurement rules should cause an increase in financial instruments measured at *fair value through profit or loss* (mainly OICR and own funds instruments). Approximately, existing loans and debts should comply with the *SPPI* test and, consequently, shall remain measured at amortized cost (the reference business model for these instruments will remain the Hold- to-collect one).

Impairment

IFRS 9 provides for a new impairment model requiring the recognition of Expected Credit Losses (*ECL*), i.e. expected losses on loans, credit claims and debt instruments measured at amortized cost or at *fair value though other comprehensive income with recycling*, on loan commitments, financial guarantee contracts not measured at *fair value*, on lease receivables and trade receivables.

The *ECL* new requirements are designed to result in earlier recognition of credit losses, since IAS 39 provides for recognition upon occurrence of an objective loss event.

The standard defines *ECLs* as "the weighted average of credit losses with the respective risks of a default occurring as the weights", in other words, the expected present discounted value of credit losses (principal and interest). It is the present value of the difference between contractual cash flows and expected ones (including principal and interest).

The calculation formula combines the probability of default (*PD*), Loss Given Default (*LGD*) and Exposure At Default (*EAD*) parameters.

IFRS 9 requires an analysis on the closing date (Point-in-Time analysis), taking account of historical loss experience and forward-looking information, including macroeconomic factors; conversely, the same parameters estimated for prudential purposes refer to a "Through The Cycle" probability of default (PD), whereas the downturn in the economic cycle is considered for the Loss Given Default (LGD).

Moreover, the accounting approach requires some Basel parameters to be recalculated, especially to neutralize internal recovery costs or the floors set down by the Regulator in the regulatory calculation of the Loss Given Default (LGD).

The new credit risk impairment model is based on three "buckets":

- First bucket: from the initial recognition of the instrument (loan, debt security, guarantee), the entity shall recognize expected credit losses over 12 months;
- Second bucket: afterwards, if credit quality significantly deteriorates for a transaction or a homogeneous portfolio, the entity shall recognize the expected losses over the instrument's residual life;
- Third bucket: when one or more default events occur on the transaction or on the counterparty, determining a negative effect on expected cash flows, the entity shall recognize a credit loss calculated on the instrument's residual life.

As regards the second bucket, any significant increase in credit risk can be monitored and estimated based on a single transaction or on a portfolio grouping financial instruments in accordance with common credit risk features. This approach is based on the use of a wide set of information, including historical loss experience data, cyclical and structural adjustments, as well as on loss projection determined starting from reasonable scenarios.

The assessment of a significant increase in credit risk depends on the level of risk measured on the date of initial recognition and shall be detected before the transactions becomes non-performing (third bucket).

In order to assess significant deterioration, the Crédit Agricole Italia Banking Group has joined in the Crédit Agricole Group process, which is based on two levels of analysis:

- The first level depends on absolute and relative rules and criteria imposed on the entities of the Group;
- The second level is linked to local assessment of risk qualitative criteria proposed by the Group on its portfolios, which could lead to the worsening of the deterioration criteria as defined at the first level (a portfolio or sub/portfolio downgraded to the second bucket applying the lifetime *ECL*).

As regards the perimeter of instruments that shall be classified in the third bucket, the Group will align its definition of default to the one presently use for regulatory purposes.

In this way, a debtor will be considered defaulted if one of the two conditions here below is met:

- Payment delayed generally by more than ninety days, except in case of specific circumstances proving that such delay is due to causes not linked to the debtor's situation;
- The need to enforce guarantees to full settlement of the debtor's obligations.

In short, the new impairment model pursuant to IFRS 9 could lead to an increase in the amount of impairment losses on loans and securities recognized at amortized cost or at *fair value through other comprehensive income with recycling*, and on off-balance-sheet commitments, as well as on lease receivables and trade receivables.

Hedge accounting

As regards Hedge accounting (– excluding fair value macro-hedges), IFRS 9 has implemented limited developments vs. IAS 39. The provisions of the standard shall apply to the perimeter given below:
- Micro-hedging;
- Cash flow macro-hedging.

For the time being, interest rate risk macro-hedging is not included in IFRS 9 and is expected to still be governed by IAS 39.

However, upon first adoption of IFRS 9, two options are possible:
- Adopting the Hedge accounting rules provided for by IFRS 9;
- Continuing to use IAS 39 up to the adoption of IFRS 9 for the set of hedges (at the latest until the standards text dedicated to interest rate risk macro-hedging is endorsed by the European Union).

In accordance with the decision made by the Group, the Crédit Agricole Italia Banking Group will not adopt this set of rules provided for by IFRS 9. Exhaustive reporting on risk management and on the effects of hedge accounting shall be given in an annex to the Annual Report and Financial Statements.

The project for the implementation of the new standard within the Crédit Agricole Italia Banking Group

The Crédit Agricole Italia Banking Group has fully joined the project started by the Crédit Agricole SA Group for the implementation of the new standard; therefore, it has made the internal arrangements required to implement IFRS 9 within the set term, with the involvement of and the cooperation given by the structures engaged in accounting, finance, risk management, credit, marketing and IT functions.

The steps of the project and the milestones achieved to date.

In the first half of 2015, works focused on:
- The analysis of the provisions set down by the standard, with specific focus on the changes generated by the new criteria for classification and measurement of financial assets and by the changes to the credit impairment model, which requires entities to recognize lifetime expected credit losses (ECL) rather than incurred losses;
- The identification of key questions and of the main accounting interpretation topics starting from its own simulations of the standard application impact.

After this analysis and assessment phase, the Crédit Agricole Italia Banking Group participated in the project implementation phase starting in September 2015.

Moreover, since the beginning of 2016, the Crédit Agricole Italia Banking Group has participated in the main projects of the Group concerning:
- Regulatory projects, identifying the main impacts on the balance sheet and the setting of the target impairment process of the Group, which resulted in the preparation of a common methodological framework;
- The methodological projects for the definition of the possible options regarding the formula to calculate impairment, significant deterioration and the forward-looking;
- The IT projects, with the forecast of significant impacts on information systems, entailing the upgrading of Risk Management and Finance tools; significant choices have been requested on shared tools, such as: i. a central engine for impairment calculation and ii. a tool for the analysis of contractual characteristics allowing the industrialization of the *SPPI* test for listed debt securities.

Some provisional simulations of the new standard impact on the balance sheet and on prudential own funds were carried out during these activities, especially in order for the entire Crédit Agricole SA Group to fully meet the requests made by the European Banking Authority (EBA). These simulations were made based on the accounting data as at 31 December 2015 at a Group level.

The implementation works will continue in 2017 and will include impact simulations based on financial statement data as at 31 December 2016, in order to meet the requests made by the European Banking Authority (EBA).

Transition

IFRS 9 shall apply retrospectively with mandatory effective date on 1 January 2018 with adjustments to opening items on the first-adoption date; it does not require restatement of comparative data for the 2017 FY but it provides for optional restatement. The Crédit Agricole Italia Group has not planned to restate its financial statements as at 31 December 2017, which will be presented with comparative items to the 2018 FY data.

OTHER INFORMATION

The standards and interpretations published by the IASB as at 31 December 2016 but not yet endorsed by the European Union are not applicable to the Crédit Agricole Italia Banking Group.

Among these, “IFRS 16 – Leases” is worth mentioning, which will be applicable (after its endorsement by the EU) to reporting periods starting on or after 1 January 2019 and will replace IAS 17 (Leases). Early adoption is permitted for entities that have adopted also IFRS 15 – Revenue from Contracts with Customers.

The standard provides for items to be recognized and presented taking account of the substance of the transaction or contract.

Therefore, all lease contracts shall be reported by the entity in the balance sheet, as assets and liabilities, rather than as off-balance-sheet items, as done at present for operating leases.

In the income statement, the standard requires recognition of the asset depreciation and separate recognition of depreciation and interest expenses, with the interest component to be recognized as a separate item.

A preliminary analysis of the impact generated by IFRS 16 on the Crédit Agricole SA Group and, consistently, as part of it, on the Crédit Agricole Italia Banking Group, was carried out in 2016 and showed marginal impacts on the Balance Sheet.

Section 2 – General preparation principles

The Annual Report and 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 in the preparation of the financial statements. 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.

The Annual Report and Financial Statements as at 31 December 2016 have been prepared on a going-concern basis, since the Group is believed to continue in operation in the foreseeable future.

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 E

The Note to the Financial Statements also reports the verifications that were carried out in order to assess any impairment of equity investments, securities available for sale and intangible assets (including goodwill).

The financial statements and the Note also report comparative figures for the year ended as at 31 December 2015, as well as the figures for the year being reported.

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 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;
- calculating the fair value of financial instruments to be used for financial reporting purposes;
- using measurement models for the recognition of the fair value of financial instruments that are not listed on active markets;
- assessing the consistency of the value of goodwill and of the other intangible assets;
- quantifying the provisions for staff and for risks and charges;
- making estimates and assumptions concerning the recoverability of deferred tax assets.

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

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 and specified.

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.

Statement of comprehensive income

The statement of comprehensive income consist of items showing the changes in the value of the assets recognized in the year 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 been stated also.

Negative amounts are set forth in parenthesis.

Statement of Changes in Shareholders' Equity

In order to facilitate understanding of the figures, the rows and columns of the Statement of Changes in Shareholders' 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, income reserves, comprehensive income and net profit or loss. The value of treasury shares is deducted from equity.

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, investing activities and financing 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 Circular No. 262/2005 issued by the Bank of Italy, as updated and specified, as well as further information required by the International Accounting Standards.

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 been stated also.

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 Cariparma 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 Cariparma, directly or indirectly, holds at the same time:

- the power to influence the Investee's key activities;
- 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.

Subsidiaries are companies in which Crédit Agricole Cariparma, directly or indirectly, holds more than 50% of the voting rights in the Shareholders' General Meeting or in which, despite holding less than 50% of the voting rights, it has the power to appoint the majority of the directors of the investee or to determine the financial and operating policies of the same (controlling influence).

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, i.e. subject to significant influence, are companies on which Crédit Agricole Cariparma holds, directly or indirectly, at least 20% of the voting rights or has the power to participate in determining financial and operating policies of the Investee, despite holding less than 20% of the voting rights, due to specific legal ties such as being party to a shareholders' agreement.

CONSOLIDATION METHODS

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 shareholders, 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 any recognition under other asset and liability items of the subsidiary. Negative differences are taken to the Income Statement.

Acquisitions of businesses 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

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 income statement.

The other major consolidation operations include:
- elimination of dividends paid or declared by consolidated companies;
- elimination of significant 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 consolidated companies is 31 December 2016.

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 significant 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, reporting:
- The method of consolidation;
- The type of control;
- The Investee Company;
- The percentage of voting rights held by the Investor.

Company name	HQ	Type of control(1)	Equity investment		Actual % of votes available
			Investor	% held	
A. Company					
Parent Company					
Crédit Agricole Cariparma 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 Cariparma S.p.A.	80.33%	80.71%(3)
2. Crédit Agricole Carispezia S.p.A.	La Spezia, Italy	1	Crédit Agricole Cariparma S.p.A.	80.00%	80.00%
3. Crédit Agricole Leasing Italia S.r.l.	Milan, Italy	1	Crédit Agricole Cariparma S.p.A.	85.00%	85.00%
4. Sliders S.r.l.	Milan, Italy	1	Crédit Agricole Cariparma S.p.A.	100.00%	100.00%
5. Mondo Mutui Cariparma S.r.l.(2)	Milan, Italy	4	Crédit Agricole Cariparma S.p.A.	19.00%	19.00%
6. Crédit Agricole Italia OBG S.r.l.	Milan, Italy	1	Crédit Agricole Cariparma S.p.A.	60.00%	60.00%
7. Crédit Agricole Group Solutions S.c.p.A.	Parma, Italy	1	Crédit Agricole Cariparma S.p.A.	86.68%	86.68%
			Crédit Agricole FriulAdria S.p.A.	8.75%	8.75%
			Crédit Agricole Carispezia S.p.A.	2.50%	2.50%
			Crédit Agricole Leasing Italia S.r.l.	1.19%	1.19%
8. Italstock S.r.l.	Milan, Italy	1	Crédit Agricole Cariparma S.p.A.	100.00%	100.00%

(1) Type of control:
1 = majority of the voting rights in the General Meeting of Shareholders
2 = dominant influence in the Extraordinary General Meeting of Shareholders 3= agreement with other shareholders
4 = other forms of control
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 = joint control

(2) Please, see point 2 below Other Information.

(3) The percentage has been calculated taking account of treasury shares held by the Bank as at the reporting date.

2. Other information

In the Consolidated Financial Statements as at 31 December 2016, the company Mondo Mutui Cariparma S.r.l. was included in the consolidation perimeter, since it is a special-purpose entity (SPE) whose operations are, in practice, carried out exclusively on behalf of the Parent Company with regard to its specific corporate requirements in order for the Parent Company to obtain advantages from the SPE's operations

In December 2016, Crédit Agricole Cariparma S.p.A. incorporated the special-purpose entity Italstock S.r.l., a subsidiary pursuant to IFRS 10 engaged in a structured finance transaction promoted by the Bank.

Section 4 – Events occurred after the reporting date

From 31 December 2016 to the date of approval of the Annual Report and Financial Statements for the year, no events occurred which could significantly change the structures of the Crédit Agricole Italia Banking Group.

Section 5 – Other aspects

OPTION FOR THE ITALIAN NATIONAL TAX CONSOLIDATION

Effective since 2013, the Italian Parent Company, Crédit Agricole Cariparma S.p.A. and some Italian Companies of its Group, including Crédit Agricole FriulAdria S.p.A., Crédit Agricole Carispezia S.p.A., Crédit Agricole Leasing Italia S.r.l. and Crédit Agricole Group Solutions S.c.p.a., have adopted the “Italian national tax consolidation regime”, which is governed by Articles 117-129 of the Italian Consolidated Act on Income Taxes (TUIR) and was introduced in the Italian tax legislation with Italian Legislative Decree No. 344/2003.

In March 2016, the national tax consolidation scheme was adopted, with effects since the 2015 tax period, by the Crédit Agricole SA 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.

18 Companies of the Group opted to join the tax consolidation scheme and, having been designated by Crédit Agricole SA, Crédit Agricole Cariparma has undertaken the role of Consolidating Entity.

This regime provides for the consolidated companies to transfer their taxable income (or their tax loss) to the Controlling Company Crédit Agricole Cariparma S.p.A., 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.

AUDIT OF THE ACCOUNTS

The Annual Report and Consolidated Financial Statements are subject to audit by EY S.p.A, implementing the Resolution passed by the Shareholders’ General Meeting on 21 April 2012, whereby this Firm was given the assignment for the period 2012-2020.

A.2 Part reporting on the main financial statement items

1. Financial assets held for trading

CLASSIFICATION

This category consists of debt and equity securities, as well as of the positive value of derivatives contracts held for trading.

Derivatives contracts include derivatives embedded in complex financial instruments that have been recognized separately because:

- their economic characteristics and risks are not closely related to the characteristics of the host contract;
- The embedded instruments, also when separated, meet the definition of derivative;
- the hybrid instruments which they belong to are not measured at fair value with the relevant changes taken to the Income Statement.

RECOGNITION

Debt and equity securities are initially recognized at the settlement date, while derivative contracts are recognized on the date they are signed.

Financial assets held for trading are initially recognized at fair value, excluding transaction expenses and income that can be directly attributed to the instrument itself.

Any derivatives embedded in complex host contracts that are not strictly connected with the embedded derivatives and having the characteristics to meet the definition of derivative, are separated from the host contract and recognized at fair value.

MEASUREMENT

After initial recognition, financial assets held for trading are designated at fair value. The effects of the application of this measurement standard are taken to the Income Statement.

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.

To measure the fair value of financial instruments that are listed on 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.

Equity securities, derivatives on equity securities and UCITS units, whose fair value cannot be reliably measured according to the above guidelines, are recognized at cost.

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 asset continues to be recognized, even if legal title has been transferred.

Where it is not possible to ascertain whether all the risks and rewards of ownership have been substantially 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.

Finally, financial assets which have been disposed of 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, to other third parties.

2. Financial assets available for sale

CLASSIFICATION

This category includes financial assets that are not otherwise classified as “Loans and Receivables”, “Financial Assets Held for Trading”, “Investments Held to Maturity” or “Financial Assets designated at Fair Value”.

In addition to bonds that are not held for trading and are not classified as “Investments Held to Maturity”, as “Financial Assets designated at Fair Value” or as “Loans and Receivables”, this item includes also equity investments that are not held for trading and do not amount to subsidiaries, associates or joint ventures, including investments in private equity and in private equity funds, as well the shares of subscribed syndicated loans, which have been held for sale since inception.

RECOGNITION

Financial asset available for sale are initially recognized at the settlement date for debt and equity securities and at the disbursement date in the case of loans. Financial assets are initially recognized at fair value, including transaction expenses or income that can be directly attributed to the instrument itself. If, in the cases allowed by the accounting standards, recognition occurs as a result of reclassification of these assets from “Investments held to maturity” or in case of unusual events, from “Financial assets held for trading”, they would be recognized at their fair value as at the time of transfer.

MEASUREMENT

Following initial recognition, debt securities classified as “Assets available for sale” are designated at fair value, with recognition in the Income Statement of interest calculated based on the effective yield, whereas gains or losses resulting from fair value changes are recognized in a specific equity reserve until the asset is derecognized or impairment is recognized. Upon disposal or recognition of an impairment loss, the accumulated gains or losses are recognized in the Income statement.

Fair value is determined using the standards adopted for “Financial assets held for trading”.

Equity instruments included in this category, for which the fair value cannot be reliably determined, are recognized at cost.

“Financial assets available for sale” undergo impairment testing to determine whether there is objective evidence of impairment.

Where impairment is found, the amount of the loss is measured as the difference between purchase cost and fair value, net of any losses already recognized in the Income Statement.

For equity securities, a fair value decrease by over 30% below the initial book value or for a period over 6 months is considered evidence of impairment. Further impairment is reclassified from equity to gains (losses) for the period, until the asset is derecognized.

Should the reasons for impairment no longer apply subsequent to an event occurred after the recognition of the impairment loss, a value recovery is recognized in the Income Statement for debt securities and loans; for equity instruments this value recovery is recognized in a specific equity reserve.

For debt securities and loans, this value recovery shall in no case determine a book value higher than the amortized cost if the loss were not recognized.

LOAN RESTRUCTURING TRANSACTIONS ENTAILING PARTIAL OR FULL CONVERSION INTO EQUITY INSTRUMENTS CLASSIFIED AS FINANCIAL ASSETS AVAILABLE FOR SALE

For equity instruments received within loan restructuring transactions carried out by debtors, the received equity instruments are initially recognized at fair value; the difference between the book value of the loans and the fair value of the received equity instruments is taken to the Income Statement under value adjustments.

Moreover, where the restructuring with total or partial equity conversion relates to non-performing exposures, since the conversion does not modify their quality, the equity instruments received are also considered as issued by a "non-performing" issuer"; this entails that subsequent reductions in their fair value are considered impairment evidence and, therefore, are recognized in the Income Statement until the issuer is restored to a performing status.

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 asset continues to be recognized, even if legal title has been transferred.

Where it is not possible to ascertain whether all the risks and rewards of ownership have been substantially 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.

Finally, financial assets which have been disposed of 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, to other third parties.

3. Investments held to maturity

CLASSIFICATION

This category includes debt securities with fixed or determinable payments and fixed maturity that the Company has the intention and the ability to hold to maturity. If, following a change in such intention or ability, it is no longer appropriate to continue to classify an investment as "held to maturity", it is reclassified under "Financial Assets available for sale".

RECOGNITION

Financial assets are initially recognized at the settlement date.

Financial assets classified in this category are initially recognized at fair value including any costs and revenues directly attributable to them. If recognition in this category occurs as a result of reclassification from "Financial assets available for sale", the of the asset at the date of reclassification is taken as the new amortized cost of the asset.

MEASUREMENT

Following initial recognition, Investments held to maturity are measured at amortized cost using the effective interest rate method.

Gains and losses relating to investments held to maturity are recognized in the Income Statement at the moment in which the assets are derecognized or have incurred impairment, as well as through the amortization of the difference between the book value and the amount repayable upon maturity.

Investments held to maturity are subject to impairment testing to determine whether there is objective evidence of impairment.

If such evidence is found, the amount of this loss is measured as the difference between the book value of the asset and the present value of expected future cash flows, discounted using the original effective interest rate.

The amount of the loss is recognized in the Income Statement. Should the reasons for the impairment cease to apply after the recognition of the impairment loss, a recovery is taken to the income statement. The amount of the recovery shall in no case exceed the amortized cost that the financial instrument would have had if prior adjustments had not been made.

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 the relevant legal title has been transferred.

Where it is not possible to ascertain whether all the risks and rewards of ownership have been substantially 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.

4. Loans and Receivables

CLASSIFICATION

Loans and receivables include loans to customers and banks, whether disbursed directly or acquired from third parties, with fixed or determinable payments, that are not listed on an active market and that were not originally classified as “Financial Assets available for sale”.

The “Loans and Receivables” item also reports trade receivables, repurchase transactions and securities purchased through subscription or private placements, with fixed or determinable payments, which are not listed on an active market.

RECOGNITION

Loans and receivables are initially recognized at the date of signing of the relevant contract, which usually is also the disbursement date, and are recognized at the fair value of the financial instrument; the fair value of the financial instrument is equal to the amount disbursed, or subscription price, including costs/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 debtor or that can be classified as normal administrative overhead costs, despite having the above characteristics.

MEASUREMENT

After initial recognition, loans and receivables are measured at amortized cost. The amortized cost is equal to the amount at which a financial asset is measured at initial recognition, decreased/increased by principal repayments, impairment losses/recoveries and by amortization – using the effective interest rate method – of any difference between the amount disbursed and the one to be repaid at maturity, usually relating to costs/revenues directly attributable to the individual position. The effective interest rate is the rate that exactly discounts the estimated future cash flows generated by the loan in terms of principal and interest, to the amount disbursed including costs and revenues attributable to the loan. This accounting treatment, using a financial logic, allows the cost/revenue economic impact to be distributed over the expected remaining life of the loan.

The amortized cost method is not used for short-term loans/receivables (less than 12 months) as the effect of discounting back would be negligible. Short-term loans are valued at historic cost. The same approach is adopted for loans without a specified maturity or subject to revocation.

Loans are tested to determine whether events subsequent to recognition have given rise to objective evidence of possible impairment. Loans subject to testing include loans classified as bad debts, unlikely-to-pay or past-due positions in accordance with the Bank of Italy's rules in force as at 31 December 2016 and consistent with the IAS/IFRS.

Non-performing loans are measured on an individual basis and the amount of the value adjustment of each loan is equal to the difference between the book value of the loan at the time of measurement (amortized cost) and the present value of expected future cash flows, calculated by applying the original effective interest rate.

Expected cash flows take account of expected collection times, the expected realizable value of any guarantees, as well as the costs likely to be incurred to collect the loan.

The original effective interest rate of each loan remains unchanged over time unless the position undergoes restructuring that involves a change in the contractual interest rate, including when it becomes, in actual fact, a non-interest-bearing loan.

The value adjustment is recognized in the Income Statement.

The original value of the loan is written back in subsequent financial years to the extent that the reasons for the adjustment cease to apply, provided that this assessment is objectively connected with an event that occurred subsequent to the adjustment. Writebacks are recognized in the Income Statement and the value of the loan after the writeback shall not in any event exceed the amortized cost that it would have had in the absence of the prior adjustments.

Any value recoveries linked to time passing are reported under writebacks.

Loans for which no individual objective evidence of impairment has been found undergo collective impairment testing. As reported in Part E of the Note to the Financial Statements, this is performed by category of loans with uniform credit risk profiles, while the related loss percentages are based on the Probability of Default (PD) and Loss Given Default (LGD) parameters that can be observed as at the date of measurement and allow an estimation of any incurred loss.

Collective impairment losses are taken to the Income Statement.

In Part E of the Note to the Financial Statements, the procedures for loan management and control are exhaustively described covering all risk-related aspects.

DERECOGNITION

Transferred loans and receivables are derecognized only if their disposal has substantially transferred all the risks and rewards associated with their ownership. Conversely, when a prevalent share of the risks and rewards associated with the ownership of the transferred loans and receivables is retained, they continue to be recognized, even though legal title has been transferred.

Where it is not possible to ascertain whether all the risks and rewards of ownership have been substantially transferred, loans and receivables are derecognized where no form of control over the instrument has been retained. Conversely, if even a portion of control is retained, the loan or receivable continues to be recognized to the extent of the continuing involvement, measured by the exposure to changes in the value of the transferred assets and to changes in the related cash flows.

Finally, loans and receivables which have been disposed of 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, to other third parties.

5. Financial assets designated at fair value

CLASSIFICATION

In accordance with the IAS/IFRS endorsed by the European Commission, any financial assets so defined upon acquisition may be classified in the “financial instruments designated at fair value” category with a balancing item in the Income Statement, in compliance with the cases provided for by the applicable regulations.

No reclassifications to other categories of financial assets are allowed. The Group classifies some hybrid instruments in this category, which, otherwise, would have required to be separated from the host contract.

RECOGNITION

Financial assets are initially recognized at fair value, excluding transaction expenses or income that can be directly attributed to the instrument.

MEASUREMENT

After initial recognition, these financial instruments are designated at fair value. The effects of the application of this measurement standard are taken to the Income Statement.

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 all the risks and rewards of ownership have been substantially 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.

Finally, financial assets which have been disposed of 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, to other third parties.

6. Hedging

TYPES OF HEDGES

Hedging transactions are used to neutralize potential losses occurring on a given item or group of items attributable to a given risk, in case the risk event actually takes 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 as endorsed by the European Commission;

RECOGNITION

Hedging derivatives, like all derivatives, are initially recognized and later designated at fair value.

MEASUREMENT

Hedging derivatives are designated 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 offset is recognized by reporting changes in value in the Income Statement, both for the hedged item and for the hedging instrument. Any difference that may arise, since it represents the partial ineffectiveness of the hedge, also represents its net effect on the Income Statement;

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 extent to which changes in the fair value of the hedged instrument or the relative expected cash flows are offset by changes in that of the hedging instrument. Accordingly, 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 between 80% and 125% – offset changes in the value of the hedged item for the hedged risk factor.

Effectiveness is assessed at the end of each year, or interim period, 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.

If the tests do not confirm the effectiveness of the hedge, hedge accounting, as described above, is discontinued and the hedge derivative contract is reclassified under instruments held for trading, while the hedged financial instrument is again measured using the standard applicable to its original classification.

In case of macrohedging, IAS 39 allows fair value hedging of the exposure to interest rate risk of a designated amount of financial assets or liabilities so that a group of derivative contracts can be used to reduce changes in the fair value of the items hedged against fluctuations in market interest rates.

Amounts determined as mismatch between financial assets and liabilities cannot be macro-hedged. Macro-hedging is deemed to be highly effective if, along with the fair value hedge, both at inception and during the hedge, changes in the fair value of the hedged amount are offset by changes in the fair value of the hedging derivatives, with a ratio ranging between 80 and 125%.

7. Equity investments

RECOGNITION, CLASSIFICATION AND MEASUREMENT

This item reports equity investments held in associates and joint arrangements.

Joint arrangements are companies in which the voting rights and the control of the investee's business activities are shared equally, directly or indirectly, between the Reporting Entity 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 Group exercises a significant influence, holding, directly or indirectly, at least 20% of the voting rights (including "potential" voting rights as defined above) 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.

Significant influence is not ascribed to interests of more 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.

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 shareholding could generate, including its value upon disposal.

If the recoverable value is lower than the book value, the difference is recognized in the Income Statement.

If the reasons for the impairment should be removed subsequent to an event occurring after the recognition of the impairment loss, the value of the asset is written back and taken to the Income Statement.

8. Property, plant and equipment

CLASSIFICATION

“Property, plant and equipment” includes land, operating property, investment property, technical plants, furniture, furnishings and equipment of any type.

This item reports assets that are held to be used in producing and supplying goods and in providing services, to be rented to third parties, and are intended to be used for more than one year.

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.

MEASUREMENT

Property, plant and equipment items, including investment property, 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	
– High-end property	No depreciation
– Other	33 years(1)
Furniture, fittings, alarm systems and vehicles	From 4 to 10 years
Computers and electronic equipment	From 3 to 10 years
Works of art	No depreciation

(1) It is specified that, in some cases and for specific property units, their useful life, appropriately calculated, may have different duration.

Buildings 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 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;
- 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. Any adjustments are recognized in the Income Statement.

If the reasons for the impairment loss 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.

9. Intangible Assets

CLASSIFICATION

Intangible assets are recognized as such if they are identifiable and are based on legal or contractual rights (for example, software). The "Intangible Assets" item also reports:
- software acquired from external sources or with 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;
- the intangibles representing business with Customers are recognized subsequent to the application of IFRS 3.

RECOGNITION AND MEASUREMENT

Intangible assets acquired separately and generated in-house are initially recognized at cost, whereas those acquired through business combination transactions are recognized at fair value as at the acquisition date.

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 signs 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 will realize, 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 cost category consistent with the intangible asset function.

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 level of cash-generating unit.

The amount of any impairment is calculated based on the difference between the recoverable value of the cash-generating unit and the book value of the same.

This recoverable value is the higher between the fair value of the cash-generating unit, net of any selling costs, and the value in use of the same. Any subsequent value adjustments are recognized in the Income Statement.

DERECOGNITION

Intangible assets are derecognized 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.

10. Non-current assets held for sale and discontinued operations

“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 authorizations, provides for “Non-current Assets/Liabilities held for sale and discontinued operations” to be recognized as from the date of receipt of such authorization (whether express or tacit).

These assets/liabilities are designated at the lower between their book value and their fair value net of disposal costs. The related income and expenses (net of tax effects) are recognized as a separate item in the Income Statement.

11. Current and Deferred Taxes

The effects of current taxes and deferred tax assets and liabilities are recognized at the applicable tax rates.

Income taxes are recognized in the Income Statement, except for those referring to items directly recognized in equity.

Provisions for income taxes are calculated on the basis of a prudential forecast of the current tax liability and deferred tax assets and liabilities. Specifically, deferred tax assets and liabilities are calculated on the basis of temporary timing 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.

Deferred tax liabilities are calculated using the so-called balance-sheet liability method.

Deferred tax assets, with regard 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.

Deferred tax liabilities are recognized for all taxable temporary differences, except for the reserves on which taxation is suspended, since the amount of available reserves already subject to taxation makes it likely that no taxable transactions 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 and the latter under the "Tax liabilities" item.

Deferred tax assets and liabilities are systematically measured to reflect any changes in tax regulations or rates, as well as in any other situation applicable to the company. The effects are recognized in the Income Statement, except when these regard changes in the temporary differences in items for which the accounting policies require recognition directly in equity, in which case the change in the deferred tax liability or asset is taken directly to equity.

12. Provisions for risks and charges

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 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.

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 a reliable estimate can be made of the amount.

Where the time factor is significant, provisions are discounted using current market rates. The amount allocated provision is recognized in the Income Statement and includes the increase in the provision due to time passing.

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.

13. Due and debt securities issued

CLASSIFICATION

"Due to banks", "Due to customers" and "Debt securities issued" 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.

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 is usually equal to the amount collected or to 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.

MEASUREMENT

Following initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method.

This does not apply to short-term liabilities which are recognized in the amount collected, since the time factor is negligible.

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 book value of the liability and the amount paid to repurchase such liability is recognized in the Income Statement.

The subsequent placement of repurchased securities on the market is treated as a new issue and is recognized at the new placement price.

14. 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, taking no account of any transaction costs or income that can be directly attributed to the same instruments.

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

All liabilities held for trading are designated at fair value and the result of such measurement is taken to the Income Statement.

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.

15. Financial liabilities designated at fair value

No Company of the Crédit Agricole Italia Banking Group has exercised the fair value option for financial liabilities. In other words, no Company of the Group has opted to measure financial liabilities at fair value, taking the result of such measurement to the Income Statement, with the exception of financial liabilities that IAS 39 requires to be measured at fair value owing to their specific intended use. Therefore, only financial liabilities classified in the trading book, those subject to fair value hedging and hedging derivatives are measured at fair value, and the result of this measurement is taken to the Income Statement.

16. Foreign currency transactions

INITIAL RECOGNITION

Transactions in foreign currencies 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.

SUBSEQUENT RECOGNITION

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 designated 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 corresponding exchange rate difference is also recognized in the income statement.

17. Other information

CONTRIBUTIONS TO THE SINGLE RESOLUTION FUND

As reported in the Explanatory Note to the Consolidated Financial Statements as at 31 December 2015, the Bank Recovery and Resolution Directive (BRRD – 2014/59/EU) sets down the new resolution rules applying since 1 January 2015 to all the banks within the European Union.

Effective from 1 January 2015, 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 2016, the share of irrevocable payment commitments allowed to be used by Banks is 15% of the relevant total contribution and, to secure full payment of the total contributions, intermediaries are required to give eligible assets as collateral that, for this year, may consist only of cash.

In 2016, 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 2016 financial year, calculated pursuant to the Delegated Regulations of the European Commission No. 2015/63 and 2015/81. This contribution was set down by the Single Resolution Board in cooperation with the Bank of Italy.

Based on the communication received, the ex-ante ordinary contribution to the Single Resolution Fund for 2016 of the Crédit Agricole Italia Banking Group amounts to Euro 12 million. It is reported that the Group exercised the option to settle 15% of its total contribution through irrevocable payment commitments.

On 29 December 2016, the Bank of Italy issued a communication calling in the payment of the two extraordinary contributions to the Italian National Resolution Fund for the 2016 financial year, as provided for by the Italian Stability Law for 2016 – i.e. Italian Law No. 208 of 28 December 2015. The extraordinary contribution due by the Group amounts to Euro 24 million.

In accordance with its accounting policies, the Group recognized the expense item referring to the 2016 extraordinary contribution under the “Other administrative expenses” item, with the “Provisions for risks and charges” item as the balancing item, in the light of the communication received, which, given the regulatory uncertainty on the reporting date, stated that the Supervisory Authority reserved the right to set the due date and payment method for such contributions with a measure to be issued afterwards and, in any case, to reconsider its decision.

CONTRIBUTIONS TO THE VOLUNTARY SCHEME SET UP BY THE INTERBANK DEPOSIT PROTECTION FUND

On 17 June 2016, the Extraordinary General Meeting of the Banks that have joined the voluntary Scheme of the Italian Interbank Deposit Protection Fund – FITD – (including the Banks of the Crédit Agricole Italia Group) approved amendments to its by-laws aimed also at increasing the financial resources of the Scheme (which increased from Euro 300 million to Euro 700 million). As a consequence, the Group has recognized the maximum commitment it has undertaken towards the FIDT Voluntary Scheme, amounting to a share of the authorized amount of Euro 700 million, equal to approximately Euro 22 million.

Following the resolution passed by the Management Board of the FIDT Voluntary Scheme at its meeting of 15 June 2016 – approval of the action to support CR Cesena by subscribing a reserved capital increase of Euro 280 million – and following the authorization given by the ECB on 15 September 2016 to the Voluntary Scheme to acquire a controlling equity investment, on 20 September 2016 the capital increase was made.

The required financial resources were allocated in advance to the Fund asking all member Banks for the payment of a contribution equal to their respective share in the FITD; the contribution of the Crédit Agricole Italia Banking Group amounted to Euro 8.6 million (and the commitment recognized was decreased accordingly).

In accordance with the technical-legal features of the voluntary action supporting the FITD, the voluntary contributions paid may be distinguished from the mandatory ones paid to the deposit guarantee funds, which, also based on the opinion issued by ESMA, are non-refundable cash contributions. Conversely, voluntary contributions may provide for forms of asset recognition for member banks.

Based on some analyses carried out by the Crédit Agricole Italia Banking Group (confirmed by the Italian Banking Association – ABI – and by the Bank of Italy with its communication of 26 October 2016), since these contributions are paid with the acquisition of an equity investment in a bank experiencing difficulties by the FITD Voluntary Scheme (which has its own management and capitalization separate from the FITD), these contributions allow recognition of an asset pursuant to the IAS/IFRS. This asset is an equity investment. The Crédit Agricole Italia Banking Group recognized an equity investment classified under "Financial Assets available for sale".

The relevant expense for the Crédit Agricole Italia Banking Group came to Euro 8.7 million.

LEASES

Leases have been recognized based on the provisions of IAS 17.

Specifically, the definition of a contract agreement as a lease transaction (or including a lease transaction) is based on the fact that the same agreement depends on the use of one or more specific assets and on whether the agreement transfers the right of use of that asset.

Leases are considered finance leases if they transfers 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 payments) is recognized in the Income Statement, and the fee part representing principal repayment reduces the receivable value.

CLASSIFICATION OF LEASES

In the initial value of the lease also includes the so-called "initial direct costs"; more in detail, the accounting standard:

- Defines the initial direct costs as "incremental costs that are directly attributable to negotiating and arranging a lease", specifying that "the interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of (a) the minimum lease payments and (b) the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any initial direct costs borne by the Lessor";

- Specifies that “Lessors include in the initial lease amount the initial direct costs borne for negotiating the lease. This treatment does not apply to Lessors that are manufacturers or dealers”;
- Specifies that “the Principle does not allow initial direct costs to be recognized as expenses by the Lessors”.

It is to be noted that the IAS 17 provision for the inclusion of the initial direct costs in the financial lease recognition by the Lessor essentially entails that lease receivables are treated as financial receivables valued at depreciated cost.

Initial direct costs to be ascribed to a net investment increase include only the additional costs directly ascribable to negotiation and finalization of financial lease transaction that are certain and immediately determinable upon the initial recognition of the lease receivable, such as commission and legal costs.

The Group has also entered into operating lease agreements as Lessee, concerning cars and other capital assets. The fees for these operating leases have been recognized in the Income Statement on a straight-line basis over the duration of the relevant contract.

As at the reporting date, the Group had no finance leases in force.

INSURANCE ASSETS AND LIABILITIES

The Financial Statements of the Group do not report any assets or liabilities bearing insurance risks.

TREASURY SHARES

Any treasury shares held are deducted from Equity. Similarly, the original cost of these shares and any gains or losses resulting from their subsequent sale are recognized as changes in Equity.

LEASEHOLD IMPROVEMENT

The costs for 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 above-mentioned circular letter No. 262/2005 issued by the Bank of Italy, 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 projected unit credit cost 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 staff expenses and include interests accrued, while employee severance benefits accrued in the reporting year, following the supplementary pension scheme reform introduced with the 2007 Finance 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.

PROVISIONS FOR GUARANTEES ISSUED AND COMMITMENTS

Financial guarantee liabilities issued by the Group are the contracts requiring a payment to refund the holder of a loss following the default of a specific debtor in making the payment due at the set maturity date based on the contract clauses of the debt instrument. Financial guarantee contracts are initially recognized as liabilities at fair value, increased by the transaction costs directly attributable to the guarantee issue.

Afterwards, liabilities are measured as the higher between the best estimate of the expense required to meet the actual obligation as at the reporting date and the amount initially recognised after deducting accrued amortization. These guarantees are recognized under "Other Liabilities", pursuant to the above-mentioned Bank of Italy Circular letter No. 262/2005.

SHARE-BASED PAYMENT

Share-based remuneration plans for staff are recognized in the Income Statement, with a corresponding increase in Equity, based on the fair value of the assigned financial instruments at the awarding date, spreading the expense over the 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;
- commission income for revenues from services is recognized, in accordance with the terms of the relevant agreement, in the period in which the services have been provided;
- 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.

FAIR VALUE MEASUREMENT

With the entry into force and endorsement of IFRS 13, the definition of fair value has changed vs. the definition given by IAS 39, in a more market-based perspective.

Indeed, 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 it 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 of the 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 DESIGNATED 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 traded in an active market. 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 used is that 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 determined 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 market players would consider in setting the price, the developed valuation models take account of 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 sufficient reliability, the fair value is prudentially determined 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 occur in market conditions or in the subjective condition of the issuer of the financial instrument.

For bonds and derivative contracts, globally accepted valuation models have been set, which refer to market parameters (periodically communicated by the Parent Company Crédit Agricole), 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; variable-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, the comparable transactions by companies operating in the same sector and supplying the same type of products and 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.

ASSETS AND LIABILITIES THAT ARE NOT DESIGNATED AT FAIR VALUE OR ARE DESIGNATED 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:

- medium- and 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 represented by the initial book value, net of collective/individual writedowns;
- the book value of non-performing loans (bad debts, 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 for 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 real estate property items in the same geographical area and under the same conditions for rental and other contracts.

AMORTIZED COST CALCULATION METHOD

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is designated 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 assessed 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 periods, 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.

Amortized cost is calculated for loans and receivables, investments held to maturity, financial assets available for sale, debt and debt securities issued.

Financial assets and liabilities traded on an arm's length basis are initially recognized at fair value, which normally corresponds to the amount received or paid, including, for instruments measured at amortized cost, directly attributable transaction costs and commissions.

Transaction costs are marginal internal or external costs and 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 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.

In addition, not considered in the amortized cost calculation are the costs that the Group would bear independently of the transaction (for example, administrative costs, recording and communication expenses), nor those 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 independently 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 to the organization and/or participation in syndicated loans, expenses borne for loans acquired by subrogation and, finally, up-front commissions relating to loans granted at a higher-than-market rates; while the revenues considered in the calculation of amortized cost are up-front commissions relating to loans granted at lower-than-market rates, commissions for participation in syndicated transactions and brokerage fees linked to commissions paid by intermediation companies.

As to securities not classified as held for trading, 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.

With regard to 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 commissions paid to rating agencies, legal and advice/audit expenses for the annual update of prospectuses, expenses for the use of indexes 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. Finally, structured assets or liabilities not designated at fair value are also measured at amortized cost and taken to the Income Statement where the derivative contract incorporated in the financial instrument is separated and recognized separately.

Hedged financial assets and liabilities, for which changes in fair value relating 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 the measurement of 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 loans subject to revocation.

METHOD TO CALCULATE IMPAIRMENT LOSSES

FINANCIAL ASSETS

At every reporting date, financial assets not classified as “Financial Assets held for trading” undergo impairment testing to determine whether there is objective evidence that their book value is not fully recoverable.

Impairment exists where there is objective evidence of a reduction in future cash flows compared with the ones originally estimated, following the occurrence of specific events. It must be possible for the loss to be measured reliably and it must be correlated with actual, not merely expected, events.

Impairment is measured on an individual basis for financial assets that show specific evidence of impairment, and collectively for financial assets for which individual measurement is not required or for which individual measurement has not determined any value adjustment.

As regards loans to customers and loans to banks, measurement on an individual basis is applied to those classified as bad debts or unlikely-to-pay, in accordance with the Bank of Italy definitions and consistently with the IAS/IFRS.

Impaired positions are measured on an individual basis and the amount of the value adjustment of each loan is equal to the difference between the book value of the loan at the time of measurement (amortized cost) and the present value of expected future cash flows, calculated by applying the original effective interest rate.

Expected cash flows take account of expected collection times, the expected realizable value of any guarantees, as well as the costs likely to be incurred to collect the loan. Cash flows from loans for which collection is expected in the short-term are not discounted, since the impact of the time factor is deemed immaterial.

Loans for which no individual objective evidence of impairment has been found undergo collective impairment loss measurement. To this end performing loans are subdivided into categories with uniform credit risk profile, referred to as “rating grades”, and the scope of application is defined by identifying “sensitive” loans, considered as loans that implicitly include the possibility of incurred losses.

The collective impairment value of sensitive loans is, therefore, calculated applying the percentage expressing the probability of default assigned to the rating grade, considering also the residual life of the loan (maturity) and the loss given default rate, defined in a perspective of Basel 2 prudential supervision. Moreover, the loss given default rate is further corrected by a sector coefficient, established based on the run-off rates published by the Bank of Italy. The collective impairment loss measurement takes also account of the risk associated with the counterparty’s country of residence.

As regards fair value measurement, reference is made to the relevant section of this Note.

OTHER NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets with a finite useful life undergo impairment testing 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 its recoverable value.

The recoverable value is determined with reference to the fair value of the property, plant and equipment item or intangible asset net of divestment expenses or with reference to its value in use, if it can be determined and is 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 organisational 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 ones.

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 13.3 – Assets.

A.3 Disclosure of transfers of financial assets between portfolios

Transfers between portfolios

In 2016, the equity investment in GEFIL S.p.A. Was reclassified from the "Equity investments" item to the "Financial assets available for sale" item, subsequent to the sale of part of the shares held, which entailed a decreased in the equity investment held to less than 20% of its share capital.

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 designated at fair value (irrespective of whether they are so designated 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 on active markets, investment schemes quoted on active markets (EFT) and derivatives traded on 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.
  These data are directly observable or indirectly observable (for example, determining the interest rate curve based on the interest rates that can be observed directly on the market as at a 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 on active markets is determined with measurement techniques based on inputs that are not observable on the market.
  The above 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 (issuer).

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 the 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 the 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, the 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 Issuer Bank.

In this case, a forward-looking PD is used which reflects the Group's credit risk.

As at 31 December 2016, the CVA of the Crédit Agricole Italia Banking Group, calculated in accordance with the above method, came to Euro 14.2 million (of which Euro 12.5 million for Crédit Agricole Cariparma; Euro 1.0 million for Crédit Agricole FriulAdria and Euro 0.7 million for Crédit Agricole Carispezia).

Similarly, as at 31 December 2016, the DVA of the of the Crédit Agricole Italia Banking Group came to Euro 1.9 million (of which Euro 1.3 million for Crédit Agricole Cariparma; Euro 0.4 million for Crédit Agricole FriulAdria and Euro 0.2 million for Crédit Agricole Carispezia).

The difference between the CVA and DVA amounts as calculated, equal to Euro 12.4 million for the Group, is a negative 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; variable-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; it also includes measurements communicated by qualified market players.

A.4.2 Processes and sensitivity of measurement

The Finance Division of Crédit Agricole Cariparma is responsible for defining the fair value category of the financial instruments recognized. Choosing between the above methods is not an option, since they must 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 categorized 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.

In this regard, it is reported that the case under examination does not apply to some Level 3 financial instruments classified as Held for Trading and AFS 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 assets and liabilities recognized, the Finance Division assesses whether transfers between fair value levels have occurred and reviews the fair value categorization at each reporting date.

The Finance Division 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 Division 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	31.12.2016			31.12.2015		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	3	90,999	808	4	107,257	673
2. Financial assets designated at fair value	–	–	–	–	–	–
3. Financial assets available for sale	5,197,212	–	226,006	5,589,313	–	219,536
4. Hedging derivatives	–	749,417	73	–	692,455	–
5. Property, plant and equipment	–	–	–	–	–	–
6. Intangible Assets	–	–	–	–	–	–
Total	**5,197,215**	**840,416**	**226,887**	**5,589,317**	**799,712**	**220,209**
1. Financial liabilities held for trading	–	103,135	–	–	117,465	7
2. Financial Liabilities designated at fair value	–	–	–	–	–	–
3. Hedging derivatives	–	314,185	434,342	–	276,169	393,986
Total	**–**	**417,320**	**434,342**	**–**	**393,634**	**393,993**

The impact resulting from applying CVA and DVA on the fair value measurement of derivatives classified as held for trading and hedging came to Euro 12,370 thousand.

A.4.5.2 Changes for the year in assets designated at fair value on a recurring basis (level 3)

	Held for trading	*Designated at fair value*	Available for sale	Hedging derivatives	Property, Plant and Equipment	Intangible assets
1. Opening balance	**673**	**–**	**219,536**	**–**	**–**	**–**
2. Increases	**1,122**	**–**	**28,207**	**73**	**–**	**–**
2.1 Purchases	866	–	15,849	73	–	–
2.2 Profits recognized in:	–	–	–	–	–	–
2.2.1 Income Statement	252	–	11,041	–	–	–
– of which: Capital gains	3	–	10,319	–	–	–
2.2.2 Equity	X	X	1,249	–	–	–
2.3 Transfers from other levels	–	–	–	–	–	–
2.4 Other increases	4	–	68	–	–	–
3. Decreases	**987**	**–**	**21,737**	**–**	**–**	**–**
3.1 Sales	965	–	4,499	–	–	–
3.2 Redemptions	–	–	13,741	–	–	–
3.3 Losses recognized in:	–	–	–	–	–	–
3.3.1 Income Statement	8	–	910	–	–	–
– of which Capital losses	8	–	–	–	–	–
3.3.2 Equity	X	X	2,587	–	–	–
3.4 Transfers to other levels	8	–	–	–	–	–
3.5 Other decreases	6	–	–	–	–	–
4. Closing Balance	**808**	**–**	**226,006**	**73**	**–**	**–**

A.4.5.3 Changes for the year in liabilities designated 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	**7**	**–**	**393,986**
2. Increases	**–**	**–**	**70,106**
2.1 Issues	–	–	24,417
2.2 Losses recognized in:			45,689
2.2.1 Income Statement	–	–	45,689
– of which: Capital losses	–	–	45,689
2.2.2 Equity	X	X	–
2.3 Transfers from other levels	–	–	–
2.4 Other increases	–	–	–
3. Decreases	**7**	**–**	**29,750**
3.1 Redemptions	–	–	29,750
3.2 Repurchases	–	–	–
3.3 Profits recognized in:			–
3.3.1 Income Statement	–	–	–
– of which capital gains	–	–	–
3.3.2 Equity	X	X	–
3.4 Transfers to other levels	7	–	–
3.5 Other decreases	–	–	–
4. Closing Balance	**–**	**–**	**434,342**

A.4.5.4 Assets and liabilities that are not designated at fair value or are designated at fair value on a non-recurring basis: breakdown by fair value level

Financial assets/liabilities that are not measured at fair value or measured at fair value on a non-recurring basis	31.12.2016				31.12.2015			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Investments held to maturity	–	–	–	–	–	–	–	–
2. Loans to banks	4,383,986	–	4,383,986	–	2,869,109	–	2,869,109	–
3. Loans to Customers	38,209,279	–	–	40,534,877	36,462,501	–	–	38,779,348
4. Investment property	27,283	–	–	49,086	28,069	–	–	51,108
5. Non-current assets held for sale and discontinued operations	–	–	–	–	–	–	–	–
Total	**42,620,548**	**–**	**4,383,986**	**40,583,963**	**39,359,679**	**–**	**2,869,109**	**38,830,456**
1. Due to banks	4,936,319	–	4,936,319	–	4,289,627	–	4,289,627	–
2. Due to Customers	31,136,638	–	31,102,493	34,145	28,402,451	–	28,371,884	30,567
3. Debt securities issued	8,756,041	–	8,287,248	445,420	10,597,134	–	9,586,075	1,025,717
4. Non-current liabilities held for sale and discontinued operations	–	–	–	–	–	–	–	–
Total	**44,828,998**	**–**	**44,326,060**	**479,565**	**43,289,212**	**–**	**42,247,586**	**1,056,284**

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 their fair value. This assumption is based on the fact that the fair value calculation is mainly affected by recovery expectations based on the manager's subjective assessment. Similarly, it is pointed out that the fair value of performing loans, classified at Level 3 has been calculated based on models that use mainly unobservable inputs (e.g: internal risk parameters).
Because of these reasons, as well as because there is no secondary market, the fair value recognized, for disclosure purposes only, could be even 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 reported 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: COMPOSITION

	31.12.2016	31.12.2015
a) Cash	223,966	240,189
b) Demand deposits with Central Banks	–	1,150,000
Total	**223,966**	**1,390,189**

Section 2 – Financial assets held for trading – Item 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY TYPE

Items/Values	31.12.2016			31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance-sheet assets						
1. Debt securities	3	–	2	4	102	657
1.1 Structured Securities	–	–	–	–	102	–
1.2 Other debt securities	3	–	2	4	–	657
2. Equity securities	–	–	2	–	–	7
3. Units of collective investment undertakings	–	–	–	–	–	–
4. Loans	–	–	–	–	–	–
4.1 Repurchase agreements for lending purposes	–	–	–	–	–	–
4.2 Other	–	–	–	–	–	–
Total A	**3**	**–**	**4**	**4**	**102**	**664**
B. Derivatives						
1. Financial Derivatives	–	90,999	804	–	107,155	9
1.1 held for trading	–	90,999	804	–	107,155	9
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	**–**	**90,999**	**804**	**–**	**107,155**	**9**
Total (A+B)	**3**	**90,999**	**808**	**4**	**107,257**	**673**

2.2 FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY DEBTOR/ISSUER

Items/Values	31.12.2016	31.12.2015
A. On-balance-sheet assets		
1. Debt securities	**5**	**763**
a) Governments and Central Banks	5	5
b) Other public entities	–	–
c) Banks	–	757
c) Other issuers	–	1
2. Equity securities	**2**	**7**
a) Banks	2	7
c) Other issuers:	–	–
– Insurance undertakings	–	–
– financial companies	–	–
– non-financial corporations	–	–
– other	–	–
3. Units of collective investment undertakings	**–**	**–**
4. Loans	**–**	**–**
a) Governments and Central Banks	–	–
b) Other public entities	–	–
c) Banks	–	–
c) Other parties	–	–
Total A	**7**	**770**
B. Derivatives		
a) Banks		
– fair value	8,522	8,042
b) Customers		
– fair value	83,281	99,122
Total B	**91,803**	**107,164**
Total (A+B)	**91,810**	**107,934**

Section 4 – Financial assets available for sale – Item 40

4.1 FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY TYPE

Items/Values	31.12.2016			31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**5,183,912**	**–**	**1**	**5,573,867**	**–**	**5,776**
1.1 Structured Securities	–	–	–	–	–	–
1.2 Other debt securities	5,183,912	–	1	5,573,867	–	5,776
2. Equity securities	**13,300**	**–**	**225,293**	**15,446**	**–**	**212,842**
2.1 Designated at fair value	13,300	–	213,538	15,446	–	204,458
2.2 Measured at cost	–	–	11,755	–	–	8,384
3. Units of collective investment undertakings	**–**	**–**	**712**	**–**	**–**	**918**
4. Loans	**–**	**–**	**–**	**–**	**–**	**–**
Total	**5,197,212**	**–**	**226,006**	**5,589,313**	**–**	**219,536**

The equity securities held and designated as level 1 fair value consist of Unipol SAI stocks that were assigned to Cariparma at maturity of the convertible bond (which, in 2014, was recognized in the "Financial assets designated at fair value" category). Equity securities measured at cost mainly consisted of:

- Wildside S.r.l. SHS (book value Euro 2,512 thousand);
- Cattleya S.r.l. (book value Euro 4,000 thousand);
- SILCA S.n.c. (book value Euro 2,060 thousand);
- Gefil S.p.A. (book value Euro 2,049 thousand);

In general, these equity securities have been measured at cost, since their fair value could not be reliably calculated. Indeed, there is no active market for these instruments, there were no recent transactions, similar securities could not be found and measurement models could not be properly applied.

In the last few years, the Crédit Agricole Italia Banking Group has signed several profit-sharing agreements (pursuant to Article 2554 of the Italian Civil Code) with various film production companies (Cattleya, Colorado Film Production and Wildside). These agreements are recognized has equity investments AFS with any changes in value taken to an equity reserve.

4.2 FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY DEBTOR/ISSUER

Items/Values	31.12.2016	31.12.2015
1. Debt securities	**5,183,913**	**5,579,643**
a) Governments and Central Banks	5,183,913	5,573,867
b) Other public entities	–	–
c) Banks	–	–
c) Other issuers	–	5,776
2. Equity securities	**238,593**	**228,288**
a) Banks	163,288	163,491
c) Other issuers:	75,305	64,797
– Insurance undertakings	13,300	15,446
– financial companies	19,765	11,093
– non-financial corporations	42,240	38,258
– other	–	–
3. Units of collective investment undertakings	**712**	**918**
4. Loans	**–**	**–**
a) Governments and Central Banks	–	–
b) Other public entities	–	–
c) Banks	–	–
c) Other parties	–	–
Total	**5,423,218**	**5,808,849**

The units of collective investment undertakings refer to the investment in Fondo Immobiliare Leopardi, which refers to the AEDES restructuring.

4.3 FINANCIAL ASSETS AVAILABLE FOR SALE IN MICRO-HEDGED PORTFOLIOS

	31.12.2016	31.12.2015
With specific fair value hedges:	5,143,572	5,391,175
1. Interest rate risk	5,143,572	5,366,009
2. Price risk	–	25,166
3. Exchange rate risk	–	–
4. Credit Risk	–	–
5. Multiple risks	–	–
With specific cash flow hedges:	–	–
1. Interest rate risk	–	–
2. Exchange rate risk	–	–
3. Other	–	–
Total	**5,143,572**	**5,391,175**

Section 6 – Loans to banks – Item 60

6.1 LOANS TO BANKS: COMPOSITION BY TYPE

Type of transactions/Values	31.12.2016				31.12.2015			
	VB	FV			VB	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Claims on Central Banks	**327,894**	**–**	**327,894**	**–**	**294,284**	**–**	**294,284**	**–**
1. Fixed-term deposits	–	X	X	X	–	X	X	X
2. Reserve requirement	327,894	X	X	X	294,284	X	X	X
3. Repurchase agreements	–	X	X	X	–	X	X	X
4. Other	–	X	X	X	–	X	X	X
B. Loans to Banks	**4,056,092**	**–**	**4,056,092**	**–**	**2,574,825**	**–**	**2,574,825**	**–**
1. Loans								
1.1 Current accounts and demand deposits	176,261	X	X	X	171,755	–	–	–
1.2 Fixed-term deposits	3,267,475	X	X	X	1,422,415	–	–	–
1.3 Other loans:	612,356	–	–	–	629,942	–	–	–
– Repurchase agreements for lending purposes	–	X	X	X	–	X	X	X
– Finance leases	–	X	X	X	–	X	X	X
– Other	612,356	X	X	X	629,942	X	X	X
2. Debt securities	–	–	–	–	350,713	–	–	–
2.1 Structured Securities	–	X	X	X	–	X	X	X
2.2 Other debt securities	–	X	X	X	350,713	X	X	X
Total	**4,383,986**	**–**	**4,383,986**	**–**	**2,869,109**	**–**	**2,869,109**	**–**

Key:
FV = fair value
VB = book value

The increase in the “Fixed-term deposits” item was mainly due to an increase in interbank business transactions with the Parent Company Crédit Agricole S.A.

As at 31 December 2016, there were no non-performing loans to banks.

6.2 LOANS TO BANKS SUBJECT TO MICRO-HEDGING

As at 31 December 2016, there were no loans to banks subject to micro-hedging.

6.3 FINANCE LEASES

As at 31 December 2016, there were no loans to banks resulting from finance lease transactions.

Section 7 – Loans to customers – Item 70

7.1 LOANS TO CUSTOMERS: COMPOSITION BY TYPE

Type of transactions/Values	31.12.2016						31.12.2015					
	Book value			Fair value			Book value			Fair value		
	Performing	Non-performing		L1	L2	L3	Performing	Non-performing		L1	L2	L3
		Purchased	Other					Purchased	Other			
Loans	35,143,695	-	2,904,907	-	-	40,374,200	33,237,396	-	3,064,743	-	-	38,618,986
1. Current accounts	2,222,197	-	637,232	X	X	X	2,600,310	-	678,497	X	X	X
2. Repurchase agreements for lending purposes	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgage loans	22,729,762	-	1,688,970	X	X	X	21,631,158	-	1,722,785	X	X	X
4. Credit cards, personal loans and loans repaid by automatic deductions from salaries	273,820	-	9,893	X	X	X	367,043	-	14,818	X	X	X
5. Finance leases	1,600,162	-	204,122	X	X	X	1,562,746	-	233,876	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	8,317,754	-	364,690	X	X	X	7,076,139	-	414,767	X	X	X
Debt securities	160,677	-	-	-	-	160,677	160,362	-	-	-	-	160,362
8. Structured Securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	160,677	-	-	X	X	X	160,362	-	-	X	X	X
Total	35,304,372	-	2,904,907	-	-	40,534,877	33,397,758	-	3,064,743	-	-	38,779,348

7.2 LOANS TO CUSTOMERS: COMPOSITION BY DEBTOR/ISSUER

Type of transactions/Values	31.12.2016			31.12.2015		
	Performing	Non-performing		Performing	Non-performing	
		Purchased	Other		Purchased	Other
1. Debt securities:	**160,677**	**–**	**–**	160,362	–	–
a) Governments	–	–	–	–	–	–
b) Other public entities	–	–	–	–	–	–
c) Other issuers	160,677	–	–	160,362	–	–
– non-financial corporations	–	–	–	–	–	–
– financial companies	–	–	–	–	–	–
– insurance undertakings	160,567	–	–	160,362	–	–
– other	110	–	–	–	–	–
2. Loans to:	**35,143,695**	**–**	**2,904,907**	33,237,396	–	3,064,743
a) Governments	33,250	–	–	24,908	–	–
b) Other public entities	238,379	–	1	285,646	–	4,834
c) Other parties	34,872,066	–	2,904,906	32,926,842	–	3,059,909
– non-financial corporations	15,545,667	–	2,384,497	15,156,458	–	2,523,805
– financial companies	3,685,954	–	38,294	2,980,785	–	44,130
– insurance undertakings	71,451	–	–	70,348	–	4
– other	15,568,994	–	482,115	14,719,251	–	491,970
Total	**35,304,372**	**–**	**2,904,907**	33,397,758	–	3,064,743

7.3 LOANS TO CUSTOMERS: ASSETS IN MICRO-HEDGE PORTFOLIOS

Type of transactions/Values	31.12.2016	31.12.2015
1. Loans with specific fair value hedges	212,139	217,801
a) interest rate risk	212,139	217,801
b) exchange rate risk	–	–
c) credit risk	–	–
d) multiple risks	–	–
2. Loans with specific cash flow hedges:	–	–
a) interest rate risk	–	–
b) exchange rate risk	–	–
c) other	–	–
Total	**212,139**	**217,801**

7.4 FINANCE LEASES

Time ranges	Total 31.12.2016					
	NET NON-pERFORMING EXPOSURES	Minimum payments			Gross investment	
		Principal portion		Interest portion		of which unsecured residual value
			of which secured residual value			
– on demand	115,638	24,973	–	3,606	28,579	1
– up to 3 months	5,178	55,205	–	10,345	65,550	987
– beyond 3 months	–	–	–	–	–	–
up to 1 year	58,483	204,834	–	38,792	243,626	6,381
– beyond 1 year	–	–	–	–	–	–
up to 5 years	21,656	723,273	–	136,318	859,591	41,410
– beyond 5 years	3,167	612,939	–	93,340	706,279	148,897
– indefinite	–	–	–	–	–	–
maturity	–	–	–	–	–	–
Total	**204,122**	**1,621,225**	–	**282,401**	**1,903,625**	**197,676**
Value	–	–	–	–	–	–
adjustments	–	–	–	–	–	–
– on an individual basis	–	–	–	–	–	–
– on a collective basis	–	–10,944	–	–	–	–
Net Total	**204,122**	**1,610,281**	–	**282,401**	**1,903,625**	**197,676**

Crédit Agricole Leasing Italia Srl lease contracts set down that the lessee, granted that the same has fulfilled all obligations undertaken, at the end of the set contract duration, may choose:

- To acquire the ownership of the asset by paying a pre-set price;
- To return the asset subject to the lease contract.

The duration of lease contracts, which is based on the useful life of the assets, and the pre-set surrender value of the assets are such to generally induce lessees to purchase the asset at contract expiry.

Financed assets are different according to the lease applicant and/or the nature of business operations. In general, financed assets fall into 4 categories: motor vehicles (cars, commercial vehicles and industrial vehicles), air-rail-naval (airplanes, boats, railway cars), equipment and property (commercial and industrial buildings both completed and to be built).

SALE AND LEASE-BACK TRANSACTIONS

Sale and lease-back is a transaction by which the same asset is sold and leased back, by signing a lease contract for the same asset.

Receivables resulting from lease-back agreements, which, for Crédit Agricole Leasing Italia S.r.l., 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 222.7 million.

Section 8 – Hedging derivatives – Item 80

8.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE AND BY LEVEL

	Fair Value 31.12.2016			Notional value 31.12.2016	Fair Value 31.12.2015			Notional value 31.12.2015
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial Derivatives	–	749,417	73	15,888,064	–	692,455	–	15,292,519
1) Fair value	–	749,417	73	15,888,064	–	692,455	–	15,292,519
2) Cash flows	–	–	–	–	–	–	–	–
3) Investments in foreign operations	–	–	–	–	–	–	–	–
B. Credit derivatives	–	–	–	–	–	–	–	–
1) Fair value	–	–	–	–	–	–	–	–
2) Cash flows	–	–	–	–	–	–	–	–
Total	–	749,417	73	15,888,064	–	692,455	–	15,292,519

8.2 HEDGING DERIVATIVES: COMPOSITION BY HEDGED PORTFOLIO AND BY TYPE OF HEDGE

Transaction/Type of hedge	Fair value						Cash flows		Investments in foreign operations
	Micro-hedging					Macro-hedging	Micro-hedging	Generica	
	Interest rate risk	Exchange rate risk	Credit Risk	Price risk	Multiple risks				
1. Financial assets available for sale	12,187	–	–	–	–	X	–	X	X
2. Loans and Receivables	31,492	–	–	X	–	X	–	X	X
3. Investments held to maturity	X	–	–	X	–	X	–	X	X
4. Portfolio	X	X	X	X	X	–	X	–	X
5. Other transactions	–	–	–	–	–	X	–	X	–
Total Assets	43,679	–	–	–	–	–	–	–	–
1. Financial liabilities	705,811	–	–	X	–	X	–	X	X
2. Portfolio	X	X	X	X	X	–	X	–	X
Total liabilities	705,811	–	–	–	–	–	–	–	
1. Expected transactions	X	X	X	X	X	X	–	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	–	X	–	–

The “Hedging Derivatives” item referring to financial liabilities consisted of Euro 101,932 thousand for hedging own bonds issued and Euro 603,879 thousand for macrohedging of fixed-rate demand deposits.

Section 9 – Fair value change of financial assets in macro-hedge portfolios – Item 90

9.1 FAIR VALUE CHANGE OF HEDGED ASSETS COMPOSITION BY HEDGED PORTFOLIO

Adjustments of hedged assets/values	31.12.2016	31.12.2015
1. Positive adjustment	**8,931**	**11,191**
1.1 of specific portfolios:	8,931	11,191
a) loans and receivables	8,931	11,191
b) financial assets available for sale	–	–
1.2 total	–	–
2. Negative adjustment	**–121**	**–**
2.1 of specific portfolios:	–121	–
a) loans and receivables	–121	–
b) financial assets available for sale	–	–
2.2 total	–	–
Total	**8,810**	**11,191**

9.2 ASSETS IN THE MACRO-HEDGE PORTFOLIO FOR INTEREST RATE RISK

Type of transaction/Values	31.12.2016	31.12.2015
Loans and Receivables	963,024	508,669
Assets available for sale	–	–
Portfolio	–	–
Total	**963,024**	**508,669**

Section 10 – Equity investments – Item 100

10.1 EQUITY INVESTMENTS: DISCLOSURE ON EQUITY INVESTMENTS IN OTHER ENTITIES

Name	Registered Office	Operating HQ	Type of investee	Equity investment		% of votes available
				Investor	% held	
A. Joint Ventures						
not present						
B. Investees subject to significant influence						
1. Glassfin S.r.l.	San Vito al Tagliamento (PN)		associate	FriulAdria	31.66	x

10.2 SIGNIFICANT EQUITY INVESTMENTS: BOOK VALUE, FAIR VALUE AND DIVIDENDS RECEIVED

As at 31 December 2016, no significant equity investments were recognized.

10.3SIGNIFICANT EQUITY INVESTMENTS: ACCOUNTING DATA

As at 31 December 2016, no significant equity investments were recognized.

10.4 NON-SIGNIFICANT EQUITY INVESTMENTS: ACCOUNTING DATA

Name	Book value of equity investments	Total assets	Total liabilities	Total revenues	Gain/(Loss) after taxes on continuing operations	Gain/(Loss) After taxes on discontinued operations	Gain/(Loss) for the year (1)	Other income components after taxes (2)	Comprehensive income (3) = (1) + (2)
A. Joint ventures									
B. Investees subject to significant influence	–	1,606	1,788	–	–5	–	–5	–	–5
1. Glassfin S.r.l.	–	1,606	1,788	–	–5	–	–5		–5

The data reported have been taken from the latest Annual Report and Financial Statements (31 December 2015) of the relevant investee company.

10.5 EQUITY INVESTMENTS: CHANGES FOR THE YEAR

	31.12.2016	31.12.2015
A. Opening balance	**2,583**	**18,909**
B. Increases	–	–
B.1 Purchases	–	–
B.2 Writebacks	–	–
B.3 Revaluations	–	–
B.4 Other changes	–	–
C. Decreases	**–2,583**	**–16,326**
C.1 Sales	–534	–16,326
C.2 Value adjustments	–	–
C.3 Other changes	–2,049	–
D. Closing balance	**0**	**2,583**
E. Total writebacks	–	–
F. Total adjustments	–	–

The partial sale of the equity investment in Gefil held by Crédit Agricole Carispezia caused the loss of control or significant influence on the same as required to continue to recognize it under “Equity investments”. Consequently, the remaining shares held were reclassified in the “Financial assets available for sale” item.

10.6 MEASUREMENTS AND SIGNIFICANT ASSUMPTIONS TO ASSESS WHETHER JOINT CONTROL OR SIGNIFICANT INFLUENCE EXISTS

The existence of significant influence was assessed based on IFRS 10.

10.7 COMMITMENTS REFERRING TO EQUITY INVESTMENTS IN JOINT-VENTURES

As at 31 December 2016, there were no joint ventures/arrangements and, therefore, no commitments referring to the same.

10.8 COMMITMENTS REFERRING TO EQUITY INVESTMENTS IN ENTITIES SUBJECT TO SIGNIFICANT INFLUENCE

As at 31 December 2016, there were no commitments referring to equity investments in entities subject to significant influence

10.9 DISCLOSURE OF SIGNIFICANT RESTRICTIONS

As at 31 December 2016, there were no significant restrictions pursuant to IFRS 12, paragraphs 13 and 22 a).

Section 12 – Property, plant and equipment – Item 120

12.1 OPERATING PROPERTY, PLANT AND EQUIPMENT: COMPOSITION OF ASSETS MEASURED AT COST

Assets/Values	31.12.2016	31.12.2015
1. Owned	**491,857**	**459,487**
a) land	127,118	122,618
b) buildings	286,021	271,568
c) furniture	18,191	18,133
d) electronic equipment	7,756	8,751
e) other	52,771	38,417
2. Acquired under finance leases	–	–
a) land	–	–
b) buildings	–	–
c) furniture	–	–
d) electronic equipment	–	–
e) other	–	–
Total	**491,857**	**459,487**

12.2 INVESTMENT PROPERTY, PLANT AND EQUIPMENT: COMPOSITION OF ASSETS MEASURED AT COST

Assets/Values	31.12.2016				31.12.2015			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned	**27,283**	**–**	**–**	**49,086**	**28,069**	**–**	**–**	**51,108**
a) land	7,139	–	–	16,104	7,139	–	–	16,371
b) buildings	20,144	–	–	32,982	20,930	–	–	34,737
2. Acquired under finance leases	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
a) land	–	–	–	–	–	–	–	–
b) buildings	–	–	–	–	–	–	–	–
Total	**27,283**	**–**	**–**	**49,086**	**28,069**	**–**	**–**	**51,108**

12.5 OPERATING PROPERTY, PLANT AND EQUIPMENT: CHANGES FOR THE YEAR

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Opening gross balance	**122,618**	**526,329**	**116,209**	**71,882**	**226,204**	**1,063,242**
A.1 Total net writedowns	–	254,761	98,076	63,131	187,787	603,755
A.2 Opening net balance	122,618	271,568	18,133	8,751	38,417	459,487
B. Increases	**4,500**	**26,947**	**4,005**	**3,647**	**23,343**	**62,442**
B.1 Purchases	4,500	5,936	4,005	3,647	23,343	41,431
B.2 Capitalized improvement expenses	–	21,011	–	–	–	21,011
B.3 Writebacks	–	–	–	–	–	–
B.4 Fair value gains recognized in:	–	–	–	–	–	–
a) Equity	–	–	–	–	–	–
b) Income Statement	–	–	–	–	–	–
B.5 Positive exchange rate differences	–	–	–	–	–	–
B.6 Transfers from investment property	–	–	–	–	–	–
B.7 Other changes	–	–	–	–	–	–
A. Decreases	**–**	**12,494**	**3,947**	**4,642**	**8,989**	**30,072**
C.1 Sales	–	12	127	–	4,267	4,406
C.2 Depreciation	–	12,148	3,637	4,445	4,657	24,887
C.3 Impairment losses recognized in:	–	–	–	–	–	–
a) Equity	–	–	–	–	–	–
b) Income Statement	–	–	–	–	–	–
C.4 Fair value losses recognized in:	–	–	–	–	–	–
a) Equity	–	–	–	–	–	–
b) Income Statement	–	–	–	–	–	–
C.5 Negative exchange rate differences	–	–	–	–	–	–
C.6 Transfers to	–	–	–	–	–	–
a) Investment property	–	–	–	–	–	–
b) discontinuing operations	–	–	–	–	–	–
C.7 Other changes	–	334	183	197	65	779
B. Closing net balance	**127,118**	**286,021**	**18,191**	**7,756**	**52,771**	**491,857**
D.1 Total net impairment write-downs	–	265,559	101,713	67,576	192,443	627,291
D.2 Closing gross balance	127,118	551,580	119,904	75,332	245,214	1,119,148
E. Measurement at cost	**–**	**–**	**–**	**–**	**–**	**–**

12.6 INVESTMENT PROPERTY, PLANT AND EQUIPMENT: CHANGES FOR THE YEAR

	31.12.2016	
	Land	Buildings
A. Opening balance	**7,139**	**20,930**
B. Increases	**–**	**35**
B.1 Purchases	–	–
B.2 Capitalized improvement expenses	–	35
B.3 Fair value gains	–	–
B.4 Writebacks	–	–
B.5 Positive exchange rate differences	–	–
B.6 Transfers from operating assets	–	–
B.7 Other changes	–	–
C. Decreases	**–**	**821**
C.1 Sales	–	48
C.2 Depreciation	–	773
C.3 Fair Value losses	–	–
C.4 Impairment write-downs	–	–
C.5 Negative exchange rate differences	–	–
C.6 Transfers to other assets portfolios	–	–
a) operating assets	–	–
b) non-current assets held for sale/discontinuing operations	–	–
C.7 Other changes	–	–
D. Closing balance	**7,139**	**20,144**
E. Designated at fair value	**16,104**	**32,982**

Section 13 – Intangible assets – Item 130

31.1 INTANGIBLE ASSETS: COMPOSITION BY TYPE OF ASSET

Assets/Values	31.12.2016		31.12.2015	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**1,575,536**	**X**	**1,575,536**
A.1.1 pertaining to parent company shareholders	X	1,575,536	X	1,575,536
A.1.2 attributable to minority shareholders	X	–	X	–
A.2 Other intangible assets	**312,645**	**–**	**318,490**	**–**
A.2.1 Assets measured at cost:	312,645	–	318,490	–
a) Intangible assets developed in-house	8,017	–	7,524	–
b) Other assets	304,628	–	310,966	–
A.2.2 Assets designated at fair value:	–	–	–	–
a) Intangible assets developed in-house	–	–	–	–
b) Other assets	–	–	–	–
Total	**312,645**	**1,575,536**	**318,490**	**1,575,536**

The cost of intangible assets with finite life is amortized on a straight-line basis over the useful life of the asset, which, for all software has been set at 5 years. The useful life of some types of software, specifically identified, has been estimated in 10 years.

In-house generated intangible assets were recognized for Euro 494 thousand. These assets resulted from staff expenses borne for in-house development of software and are amortized over a 5-year period.

Intangible assets representing business with customers have been assigned a finite useful life set at 15 years, based on the time series available on the rate of customer turnover in the Retail segment.

13.2 INTANGIBLE ASSETS: CHANGES FOR THE YEAR

	Goodwill	Other intangible assets: developed in-house		Other intangible assets: other		Total
		with finite life	with indefinite life	with finite life	with indefinite life	
A. Opening balance	**1,575,536**	**11,692**	**–**	**740,217**	**–**	**2,327,445**
A.1 Total net impairment write-downs	–	4,168	–	429,251	–	433,419
A.2 Opening net balance	1,575,536	7,524	–	310,966	–	1,894,026
B. Increases	**–**	**2,981**	**–**	**58,840**	**–**	**61,821**
B.1 Purchases	–	–	–	58,840	–	58,840
B.2 Increases in internal intangible assets	X	2,981	–	–	–	2,981
B.3 Writebacks	X	–	–	–	–	–
B.4 Fair value gains	–	–	–	–	–	–
– in Equity	X	–	–	–	–	–
– in the Income Statement	X	–	–	–	–	–
B.5 Positive exchange rate differences	–	–	–	–	–	–
B.6 Other changes	–	–	–	–	–	–
C. Decreases	**–**	**2,488**	**–**	**65,178**	**–**	**67,666**
C.1 Sales	–	–	–	–	–	–
C.2 Value adjustments	–	2,488	–	64,426	–	66,914
– Amortization	–	2,488	–	64,426		66,914
– Write-downs:	X	–	–	–	–	–
+ Equity	–	–	–	–	–	–
+ Income Statement	X	–	–	–	–	–
C.3 Fair Value losses	–	–	–	–	–	–
– in Equity	–	–	–	–	–	–
– in the Income Statement	X	–	–	–	–	–
C.4 Transfers to discontinuing operations	X	–	–	–	–	–
C.5 Negative exchange rate differences	–	–	–	–	–	–
C.6 Other changes	–	–	–	752	–	752
D. Closing net balance	**1,575,536**	**8,017**	**–**	**304,628**	**–**	**1,888,181**
D.1 Total net value adjustments	–	6,656	–	485,506		492,162
E. Closing gross balance	**1,575,536**	**14,673**	**–**	**790,134**	**–**	**2,380,343**
F. Measurement at cost	**–**	**–**	**–**	**–**	**–**	**–**

13.3 OTHER INFORMATION

Impairment testing of intangible assets with finite useful life

At the end of 2016 it was verified that the value of each of the elements making up the intangible assets that were recognized within the scope of the transactions made in 2007 and calculated as the present value of future cash flows, was still higher than the recognized value and specifically:

- For the component relating to loans to Customers, the present value was calculated taking into account the rate of early repayment of mortgage loans between March 2008 and November 2016, the cost of credit (the 2013-2016 average) and the long-term taxation level;

- For the component relating to demand deposits, a progressive increase in volumes (and therefore of their stable component) was observed from the time of purchase;
- For the component relating to net fee and commission income, the present value of fee and commission income was recalculated taking account of the expected level of fee and commission income from “banking services”.

The analysis had a favourable outcome.

Therefore, the overall value of these intangible assets was found to be higher than the value recognized as at 31 December 2016 amounting to:
- Crédit Agricole FriulAdria: Euro 31,625 thousand;
- 180 Crédit Agricole Cariparma Branches purchased in 2007: Euro 58,952 thousand;
- 29 Crédit Agricole FriulAdria Branches purchased in 2007: Euro 5,699 thousand;
- For a total of Euro 96,276 thousand.

At the end of 2016 it was verified that the value of each of the elements making up the intangible assets that were recognized within the scope of the transactions made in 2011 and calculated as the present value of future cash flows, was still higher than the recognized value and specifically:
- For the component relating to demand deposits, volumes were essentially in line with the date of purchase and their measurement took into account the introduction of the Multiple ITR System;
- With regard to Net Fee and Commission Income, the changes in Wealth Management fee and commission income for Assets under Administration and Assets under Management for 2011, 2012, 2013, 2014, 2015 and 2017 budgets, as well as the relevant perspective forecasts to 2026 were analyzed.

Therefore, the overall value of these intangible assets, which were recognized within the scope of the transactions made in 2011, was found to be higher than the value recognized as at 31 December 2016, amounting to:
- Crédit Agricole Carispezia: Euro 18,460 thousand;
- 81 Crédit Agricole Carispezia Branches purchased in 2011: Euro 52,970 thousand;
- 15 Crédit Agricole FriulAdria Branches purchased in 2011: Euro 10,536 thousand;
- For a total of Euro 91,966 thousand.

Impairment testing of goodwill

As required by the IASs/IFRSs, the goodwill resulting from the purchases of Crédit Agricole FriulAdria, of the 180 Crédit Agricole Cariparma branches and of the 29 Crédit Agricole FriulAdria branches (made in 2007), of the 81 Crédit Agricole Cariparma branches and of the 15 Crédit Agricole FriulAdria branches (made in 2011), of CALIT (made in 2009) and of Crédit Agricole Carispezia (made in 2011) was tested for impairment. The goodwill paid within the four transactions described above was allocated as follows:

CGU	Goodwill (€/thousand)
Retail+Private Banking segment	1,502,324
Corporate banking (Mid-corp+Large-corp) segment	73,212

These CGUs have been identified consistently with the Segment Reporting made in the Annual Report and Consolidated Financial Statements. The value in use of every CGU was determined in accordance with the method adopted by the Crédit Agricole S.A. Group, i.e. using the Discounted Cash Flow Method (discount of future profit and losses), and compared with the relevant carrying amount (book value), which was calculated as the sum of goodwill, intangible assets and own funds absorbed.

For the calculation of future cash flows, starting from the 2016 expected performance, a model has been used, which consists of two stages:

- For the first stage (2017-2021), the following forecasts have been used: the 2017 Budget, for the years from 2018 to 2019, the forecasts made within the Medium- and Long-Term Plan as reviewed in preparing the 2017 Budget, for 2020-2021, growth rates have been taken into account which are subsequent to the internal development of every aggregate and to the economic cycle phase;
- 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 is consistent with the sector measurement practices.

Allocated own funds have been measured based on a 9.5% rate of RWA, in line with Crédit Agricole SA.

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 9.23% (vs. 9.11% used for the impairment test for the 2015 Annual Report and Financial Statements).

The ke rate applied is the same for all CGUs identified, since no appreciable differences have been detected between them in terms of risks taken.

The components of the discount rate ke and the relating comparison with the parameters used in 2015 are reported below:

	2016	2015
Remuneration of capital (ke)	9.23%	9.11%
– of which risk-free rate	3.85%	4.10%
– of which Beta	1.2	1.2
– of which risk premium	4.49%	4.18%

With Beta yields being equal, the risk-free rate – calculated as the long-term average yield of the ten-year Italian Treasury Bonds (Italian acronym; BTP) – decreased, mainly subsequent to the gradual decrease in the average yield of government securities, but did not offset the increase in the risk premium that was calculated as the 10-year average of the risk premium in the Italian stock exchange.

For all CGUs (Retail/Private Banking and Mid-Corporate/Large-Corporate) the calculation produced a CGU value higher than its book value.

It was also found that the result for the Retail-Private Banking and Mid-Corporate/Large-Corporate CGUs was obtained even with changes (within a reasonable range of oscillation) in the elements making up the discount rate. More specifically, the sensitivity analysis was carried out varying the parameters as follows:

- risk-free rate: variation range between 0.22% (rate of 10Y Bunds in December 2016) and 3.85% (average yield in the last 10 years of the 10Y BTP Italian Government bond);
- beta: variation range between 1.11 (average Beta of a sample of medium-sized listed Italian Banks) and 1.20;
- risk premium: variation range between 3.10% (1900-2015 geometric mean, source "Equity Risk Premiums (ERP): Determinants, Estimation and Implications – The 2016 Edition", Aswath Damodaran, March 2016) and the maximum rate so that the test result is positive;

Also in these cases the outcome of the sensitivity analysis was favourable.

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 discounting rate ke (9.9% for the Retail/Private Banking CGU and 10.2% for the Mid-Corporate/Large-Corporate CGU). As to the long-term growth rate, should it be set to zero, the value in use would remain higher than the book value for both CGUs.

Section 14 – Tax Assets and Tax Liabilities – Item 140 of Assets and Item 80 of Liabilities

14.1 DEFERRED TAX ASSETS: COMPOSITION

	31.12.2016	31.12.2015
A1. Loans and receivables (including asset-backed securities)	**768,432**	**803,400**
A2. Other financial instruments	321,843	338,665
A3. Goodwill	4,571	26
A4. Long-term liabilities	368,400	403,041
A5. Property, plant and equipment	–	–
A6. Provisions for risks and charges	–	–
A7. Entertainment expenses	53,556	39,336
A8. Staff expenses	–	–
A9. Tax losses	–	–
A10. Unused tax receivables to be deducted	–	–
A11. Other	–	–
B. Offset against deferred tax liabilities	20,062	22,332
C. Net deferred tax assets:	**768,432**	**803,400**

14.2 DEFERRED TAX LIABILITIES: COMPOSITION

	31.12.2016	31.12.2015
A. Gross deferred tax liabilities:	**85,974**	**126,409**
A1. Capital gains spreading	8,459	8,925
A2. Goodwill	–	–
A3. Property, plant and equipment	13,879	14,327
A4. Financial Instruments	–	–
A5. Staff expenses	–	–
A6. Other	63,636	103,157
B. Offset against deferred tax assets	**–**	**–**
C. Net deferred tax liabilities	**85,974**	**126,409**

14.3 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN THE INCOME STATEMENT)

	31.12.2016	31.12.2015
1. Opening balance	**793,985**	**806,345**
2. Increases	**32,419**	**43,641**
2.1 Deferred tax assets recognized in the year	30,571	41,556
a) referring to previous years	–	–
b) due to change in accounting policies	–	–
c) writebacks	–	–
d) other	30,571	41,556
2.2 New taxes or increases in tax rates	32	–
2.3 Other increases	1,816	2,085
3. Decreases	**69,842**	**56,001**
3.1 Deferred tax assets derecognized in the year	68,370	55,610
a) reversals	68,370	54,974
b) write-downs for supervening non-recoverability	–	–
c) change in accounting policies	–	–
d) other	–	636
3.2 Reduction in tax rates	76	–
3.3 Other decreases	1,396	391
a) conversion into tax receivables pursuant to L. 214/2011	737	–
b) other	659	391
4. Closing balance	**756,562**	**793,985**

The increases and other decreases under points 2.3 and 3.3 refer to the increases or decreases resulting from more accurate recognition of deferred tax assets after the Group filed its income tax return. The related balancing item is not represented by income statement items, but by current tax liabilities.

14.3.1 Changes in deferred tax assets pursuant to Italian Law 214/2011 (recognized in the Income Statement)

	31.12.2016	31.12.2015
1. Opening balance	**735,519**	**742,962**
2. Increases	**94**	**27,181**
3. Decreases	**51,251**	**34,624**
3.1 Reversals	50,468	34,444
3.2 Conversion into tax receivables	737	–
a) from loss for the year	737	–
b) from tax losses	–	–
3.3 Other decreases	46	180
4. Closing balance	**684,362**	**735,519**

Deferred tax assets pursuant to Italian Law 214/2011 were also recognized in equity for an amount of Euro 2,586 thousand.

Therefore, total deferred tax assets that can be converted into tax receivables pursuant to Italian Law 214/2011 came to Euro 686,948 thousand.

14.4 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN THE INCOME STATEMENT)

	31.12.2016	31.12.2015
1. Opening balance	**73,781**	**71,782**
2. Increases	**5,936**	**4,474**
2.1 Deferred tax liabilities recognized in the year	5,933	4,132
a) referring to previous years	–	–
b) due to change in accounting policies	–	–
c) other	5,933	4,132
2.2 New taxes or increases in tax rates	3	–
2.3 Other increases	–	342
3. Decreases	**3,447**	**2,475**
3.1 Deferred tax liabilities derecognized in the year	3,435	2,420
a) reversals	3,435	2,420
b) due to change in accounting policies	–	–
c) other	–	–
3.2 Reduction in tax rates	1	–
3.3 Other decreases	11	55
4. Closing balance	**76,270**	**73,781**

The other increases and other decreases report the increases or decreases resulting from more accurate recognition of deferred tax liabilities after the Group filed its income tax return. The related balancing item is not represented by income statement items, but by current tax liabilities.

14.5 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN EQUITY)

	31.12.2016	31.12.2015
1. Opening balance	**9,415**	**14,849**
2. Increases	**5,305**	**4,048**
2.1 Deferred tax assets recognized in the year	4,869	71
a) referring to previous years	–	–
b) due to change in accounting policies	–	–
c) other	4,869	71
2.2 New taxes or increases in tax rates	–	–
2.3 Other increases	436	3,977
3. Decreases	**2,850**	**9,482**
3.1 Deferred tax assets derecognized in the year	199	9,482
a) reversals	199	9,482
b) write-downs for supervening non-recoverability	–	–
b) due to change in accounting policies	–	–
d) other	–	–
3.2 Reduction in tax rates	8	–
3.3 Other decreases	2,643	–
4. Closing balance	**11,870**	**9,415**

(*) Taxes derecognized in 2016 essentially referred to the measurement and sale of AFS securities.

14.6 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN EQUITY)

	31.12.2016	31.12.2015
1. Opening balance	**52,628**	**49,972**
2. Increases	**814**	**23,213**
2.1 Deferred tax liabilities recognized in the year	808	23,213
a) referring to previous years	–	–
b) due to change in accounting policies	–	–
c) other	808	23,213
2.2 New taxes or increases in tax rates	6	–
2.3 Other increases	–	–
3. Decreases	**43,738**	**20,557**
3.1 Deferred tax liabilities derecognized in the year	40,630	20,557
a) reversals	40,630	20,557
b) due to change in accounting policies	–	–
c) other	–	–
3.2 Reduction in tax rates	1	–
3.3 Other decreases	3,107	–
4. Closing balance	**9,704**	**52,628**

(*) The decrease in taxes referred essentially to the measurement of AFS securities and any reversal in case of disposals.

Section 16 – Other assets – Item 160

16.1 OTHER ASSETS: COMPOSITION

	31.12.2016	31.12.2015
Sundry debits in process	35,647	77,540
Stamp duty and other assets	236	192
Items being processed	39,761	26,751
Accrued income not allocated to other items	6,976	3,799
Prepaid expenses not allocated to other items	97,879	81,788
Protested bills and cheques	756	1,604
Leasehold improvements	22,597	23,769
Tax advances paid on behalf of third parties	74,632	85,692
Sundry items	127,890	168,071
Total	**406,384**	**469,207**

LIABILITIES

Section 1 – Due to banks – Item 10

1.1 DUE TO BANKS: COMPOSITION BY TYPE

Type of transactions/Group component	31.12.2016	31.12.2015
1. Due to central banks	**1,900,000**	**1,402,561**
2. Due to banks	**3,036,319**	**2,887,066**
2.1 Current accounts and demand deposits	110,418	251,326
2.2 Fixed-term deposits	2,036,631	1,632,035
2.3 Loans	884,406	1,002,417
2.3.1 Repurchase agreements for funding purposes	–	–
2.3.2 Other	884,406	1,002,417
2.4 Liabilities for commitments to repurchase own equity instruments	–	–
2.5 Other due and payables	4,864	1,288
Total	**4,936,319**	**4,289,627**
Fair value – level 1	–	–
Fair value – level 2	4,936,319	4,289,627
Fair value – level 3	–	–
Total fair value	**4,936,319**	**4,289,627**

1.2 BREAKDOWN OF ITEM 10 “DUE TO BANKS”: SUBORDINATED LIABILITIES

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original value in foreign currency	Book value
Subordinated deposit	17 Dec. 2008	17 Dec. 2018	5 units from 17 Dec. 2014	3M Euribor + 334 b.p.	Euro	250,000	100,101
Subordinated deposit	30 Mar. 2011	30 Mar. 2021	5 units from 30 Mar. 2017	3M Euribor + 220 b.p.	Euro	400,000	400,021

1.3 BREAKDOWN OF ITEM 10 “DUE TO BANKS”: STRUCTURED LIABILITIES

At the end of 2016, there were no structured liabilities to banks.

1.4 DUE TO BANKS SUBJECT TO MICRO-HEDGING

At the end of 2016 there were no dues to banks in the micro-hedge portfolio.

1.5 LIABILITIES FOR FINANCE LEASES

As at 31 December 2016, there were no dues to banks resulting from finance lease transactions.

Section 2 – Due to customers – Item 20

2.1 DUE TO CUSTOMERS: COMPOSITION BY TYPE

Type of transactions/Group component	31.12.2016	31.12.2015
1. Current accounts and demand deposits	29,956,636	27,298,650
2. Fixed-term deposits	909,993	908,378
3. Loans	30,587	27,928
3.1 Repurchase agreements for funding purposes	–	1,000
3.2 other	30,587	26,928
4. Liabilities for commitments to repurchase own equity instruments	–	–
5. Other due and payables	239,422	167,495
Total	**31,136,638**	**28,402,451**
Fair value – Level 1	–	–
Fair value – Level 2	31,102,493	28,371,884
Fair value – Level 3	34,145	30,567
Total fair value	**31,136,638**	**28,402,451**

2.2 BREAKDOWN OF ITEM 20 “DUE TO CUSTOMERS”: SUBORDINATED LIABILITIES

At the end of 2016, there were no subordinated liabilities/debts to Customers.

2.3 BREAKDOWN OF ITEM 20 “DUE TO CUSTOMERS”: STRUCTURED LIABILITIES

At the end of 2016, there were no structured liabilities to Customers.

2.4 DUE TO CUSTOMERS IN MICRO-HEDGE PORTFOLIOS

As at 31 December 2016, there were no dues to customers in the micro-hedge portfolio.

2.5 LIABILITIES FOR FINANCE LEASES

As at 31 December 2016, there were no dues to customers resulting from finance lease transactions.

Section 3 – Debt securities issued – Item 30

3.1 DEBT SECURITIES ISSUED: COMPOSITION BY TYPE

Type of securities/values	31.12.2016				31.12.2015			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	8,308,794	–	8,285,314	34	9,688,813	–	9,583,319	120,048
1.1 Structured	–	–	–	–	132,600	–	133,418	–
1.2 other	8,308,794	–	8,285,314	34	9,556,213	–	9,449,901	120,048
2. Other securities	447,247	–	1,934	445,386	908,321	–	2,756	905,669
2.1 Structured	–	–	–	–	–	–	–	–
2.2 other	447,247	–	1,934	445,386	908,321	–	2,756	905,669
Total	8,756,041	–	8,287,248	445,420	10,597,134	–	9,586,075	1,025,717

3.2 BREAKDOWN OF ITEM 30 "DEBT SECURITIES ISSUED": SUBORDINATED SECURITIES

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in foreign currency	Book value
Subordinated loan	14 Dec. 2007	14 Dec. 2017	5 units from 14 Dec. 2013	3M Euribor + 30 b.p.	Euro	30,000	5,115

3.3 BREAKDOWN OF ITEM 30 "DEBT SECURITIES ISSUED": SECURITIES IN MICRO-HEDGE PORTFOLIOS

As at 31 December 2016, securities in the micro-hedge portfolio for interest rate risk amounted to Euro 8,043 million.

Section 4 – Financial liabilities held for trading – Item 40

4.1 FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

Type of transactions/group components	31.12.2016					31.12.2015				
	VN	Fair Value			FV *	VN	Fair Value			FV *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
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		–	103,135	–			–	117,465	7	
1.1 Held for trading	X	–	103,135	–	X	X	–	116,268	7	X
1.2 Associated with fair value option	X	–	–	–	X	X	–	–	–	X
1.3 Other	X	–	–	–	X	X	–	1,197	–	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		–	103,135	–			–	117,465	7	
Total (A+B)	X	–	103,135	–	X	X	–	117,465	7	X

Key:
FV = fair value
FV = fair value calculated excluding changes in value resulting from any change in the issuer's creditworthiness after the date of issue.*
NV = nominal value or notional value.

Section 6 – Hedging derivatives – Item 60

6.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE AND BY LEVEL

	Fair value 31.12.2016			Notional value 31.12.2016	Fair value 31.12.2015			Notional value 31.12.2015
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial Derivatives	–	314,185	434,342	7,031,669	–	276,169	393,986	7,118,514
1) Fair value	–	314,185	434,342	7,031,669	–	276,169	393,986	7,118,514
2) Cash flows	–	–	–	–	–	–	–	–
3) Investments in foreign operations	–	–	–	–	–	–	–	–
B. Credit derivatives	–	–	–	–	–	–	–	–
1) Fair value	–	–	–	–	–	–	–	–
2) Cash flows	–	–	–	–	–	–	–	–
Total	–	314,185	434,342	7,031,669	–	276,169	393,986	7,118,514

6.2 HEDGING DERIVATIVES: COMPOSITION 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	
	Interest rate risk	Exchange rate risk	Credit Risk	Price risk	Multiple risks				
1. Financial assets available for sale	608,706	–	–	–	–	X	–	X	X
2. Loans and Receivables	34,746	–	–	X	–	X	–	X	X
3. Investments held to maturity	X	–	–	X	–	X	–	X	X
4. Portfolio	X	X	X	X	X		X		X
5. Other transactions	–	–	–		–	X	–	X	
Total Assets	**643,452**	–	–	–	–	–	–	–	–
1. Financial liabilities	105,075	–	–	X	–	X	–	X	X
2. Portfolio	X	X	X	X	X	–	X	–	X
Total liabilities	**105,075**	–	–		–	–	–	–	
1. Expected transactions	X	X	X	X	X	X	–	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	–	X	–	–

The "Hedging Derivatives" item referring to financial liabilities consisted of Euro 88,819 thousand for hedging own bonds issued and Euro 16,256 thousand for macrohedging of demand deposits.

Section 7 – Fair value change of financial liabilities in macro-hedge portfolios – Item 70

7.1 FAIR VALUE CHANGE OF HEDGED FINANCIAL LIABILITIES

Fair value change of hedged liabilities /Group components	**31.12.2016**	**31.12.2015**
1. Increase in fair value of hedged financial liabilities	550,874	536,339
2. Decrease in fair value of hedged financial liabilities	–	–
Total	**550,874**	**536,339**

The part of demand deposits that is considered stable by the internal model adopted by the Group is subject to macro-hedging.

7.2 LIABILITIES IN MACRO-HEDGE PORTFOLIOS FOR INTEREST RATE RISK: COMPOSITION

Type of transaction/Values	**31.12.2016**	**31.12.2015**
Financial liabilities	9,336,900	8,644,200

Section 8 – Tax Liabilities – Item 80

See Section 14 – Assets.

Section 10 – Other liabilities – Item 100

10.1 OTHER LIABILITIES: COMPOSITION

	31.12.2016	31.12.2015
Payables to Suppliers/Providers	206,401	168,667
Amounts due to third parties	243,709	185,550
Credit transfers ordered and being processed	42,444	35,246
Amounts payable to tax authorities on behalf of third parties	83,330	98,097
Advances on loans to mature	50	53
Adjustments for illiquid items	1,325	214,446
Staff expenses	65,063	68,361
Uncapitalized accrued expenses	13,470	16,257
Deferred income not allocated to other items	92,703	85,536
Risk hedging for guarantees issued and commitments	7,568	8,107
Sundry items	176,868	110,241
Total	**932,931**	**990,561**

Section 11 – Employee severance benefits – Item 110

11.2 EMPLOYEE SEVERANCE BENEFITS: CHANGES FOR THE YEAR

	31.12.2016	31.12.2015
A. Opening balance	**144,318**	**156,011**
B. Increases	**6,707**	**13,534**
B.1 Provision for the year	1,962	1,615
B.2. Other changes	4,745	11,919
C. Decreases	**4,647**	**25,227**
C.1 Severance payments	4,406	5,589
C.2 Other changes	241	19,638
D. Closing balance	**146,378**	**144,318**
Total	**146,378**	**144,318**

11.2 OTHER INFORMATION

Information explaining 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 the Severance Benefits accrued when the employment 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 the Italian Finance Act for 2007, 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 legislation, as well as of the relevant calculation guidelines that were issued by the Italian National Association of Actuaries and by the *Organismo Italiano di Contabilità* (the Italian National Accounting Body).

Specifically, for the Companies of the Crédit Agricole Italia Banking Group which have more than 50 employees, effective since 31 December 2006, employee severance benefits accrued having been paid to external Supplementary Pension Funds or to the State Treasury Fund managed by INPS (Italian National Social Security Institute).

In the light of the above new legislation, the Companies' obligation refers to the employee severance benefits accrued before 1 January 2007 (and not yet paid out as at the reporting date) which increase on a yearly basis by the revaluation rate applied to the existing amounts only.

Seniority bonus

The employees of Crédit Agricole Cariparma, Crédit Agricole Carispezia and Crédit Agricole Group Solutions are awarded the right to an additional amount when certain seniority levels are reached and this amount is calculated based on their remuneration at the time when such right becomes effective.

0.5% supplement to employee severance benefits

For the employees of Crédit Agricole Cariparma and Crédit Agricole Carispezia, 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, amounting 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 formerly Intesa employees of Crédit Agricole Cariparma and Crédit Agricole Carispezia, in case of employment termination, a supplementary amount is granted, which is obtained 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 2016 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 01.01.2016		**144,318**
a	Service cost	48
b	Interest cost	1,913
c	Transfer in/out	–
d.1	Actuarial gains/losses from changes in financial assumptions	4,769
d.2	Actuarial gains/losses from changes in demographic assumptions	–
d.3	Actuarial gains/losses from demographic experience	–264
e	Payments provided for by the Plan	–4,406
Actuarial value of the obligation as at 31.12.2016		**146,378**

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 measurement, appropriate demographic and economic assumptions must be used on:

- Mortality;
- Invalidity;
- Termination from the company (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, based on the data supplied by the Companies of the Group, 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 RGS48;

a.2 Annual probabilities of exclusion due to causes other than death of Employees on staff were calculated based on an average annual frequency of turnover of 3.25%;

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, in compliance with the instructions of the Parent Company Crédit Agricole S.A., the rate adopted was IBOXX AA 0.89% (IBOXX duration 7-10 years);

b.2 The cost of living index for white-collar and blue-collar workers, required for the revaluation of the employee severance benefits amounts allocated to provision, was assumed at 1.75%;

b.3 The pay line, as a function of seniority, increasing by automatic pay increases only, was calculated, on average, with reference to the employees of the Group's Companies, 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 results of the sensitivity analyses are given below:

Discount rate

Actuarial value of the obligation as at 31.12.2016		
Central	**+50 bp**	**–50 bp**
146,378	141,241	151,822

Turnover rate

Actuarial value of the obligation as at 31.12.2016		
Central	**+100 bp**	**–100 bp**
146,378	145,621	147,206

Inflation rate

Actuarial value of the obligation as at 31.12.2016		
Central	**+50 bp**	**–50 bp**
146,378	149,710	143,228

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 12 – Provisions for risks and charges – Item 120

12.1 PROVISIONS FOR RISKS AND CHARGES: COMPOSITION

Items/Components	31.12.2016	31.12.2015
1 Company pension plans	19,045	20,117
2. Other provisions for risks and charges	174,281	131,425
2.1 legal disputes	49,467	50,730
2.2 staff expenses	73,601	48,509
2.3 other	51,213	32,186
Total	**193,326**	**151,542**

12.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES FOR THE YEAR

Items/Components	31.12.2016	
	Pension plans	Other provisions
A. Opening balance	**20,117**	**131,425**
B. Increases	**1,231**	**99,645**
B.1 Provision for the year	–	99,618
B.2 Changes due to time passing	270	27
C.2 Changes due to alterations in the discount rate	–	–
B.4 Other changes	961	–
C. Decreases	**2,303**	**56,789**
C.1 Use in the year	2,303	45,884
C.2 Changes due to alterations in the discount rate	–	1
C.3 Other changes	–	10,904
D. Closing balance	**19,045**	**174,281**

12.3 DEFINED-BENEFIT COMPANY PENSION PLANS

1. Information explaining the characteristics of defined-benefit plans and risks associated with them

Through its Defined-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 after retirement.

As at 31 December 2016, 314 people were the beneficiary of the Pension Plans (144 women and 170 men).

2. Changes for the year in defined-benefit net liabilities (assets) and in rights to repayment from the plan

The statement of reconciliation for 2016 is given below:

Actuarial value of the obligation as at 01.01.2016		**20,117**
a	Service cost	–
b	Interest cost	269
c.1	Actuarial gains/losses from changes in financial assumptions	611
c.2	Actuarial gains/losses from changes in demographic assumptions	–
c.3	Actuarial gains/losses from demographic experience	351
d	Payments provided for by the Plan	–2,303
Actuarial value of the obligation as at 31.12.2016		**19,045**

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 to 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 various Plans under examination have been provided for.

4. Description of the main actuarial assumptions

In order to be able to make the required measurement, appropriate demographic and economic assumptions must be used, including:

- 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 probabilities of exclusion due to death of employees not on staff were calculated based on SIM 2006;
- For assignment to the surviving family in case of the pensioner's death, appropriately 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 workers, required for smoothing the annual pension instalments, was assumed at 1.75%;
- 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 Crédit Agricole SA, the rate used was IBOXX AA (duration 7-10 years) of 0.89%.

5. Disclosure of amount, timing and uncertainty of future cash flows

The results of the sensitivity analyses for each one of the main assumptions reported in point 4 are given below:

Discount rate

	Actuarial value of the obligation as at 31.12.2016	
Central assumption	**+50 bp**	**–50 bp**
19,046	18,376	19,764

Demographic table

	Actuarial value of the obligation as at 31.12.2016	
Central assumption	**+20 bp**	**–20 bp**
19,046	17,269	21,387

6. Multi-employer plans

This point does not apply because no one of the plans is a Multi-employer plan.

7. 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.

12.4 PROVISIONS FOR RISKS AND CHARGES – OTHER PROVISIONS

Sub-item 2.2 “Other provisions – staff expenses” of Table 12.1 also reports the provisioning made in 2016 by the Crédit Agricole Italia Banking 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.

Sub-item 2.3 “Other provisions – others” also includes accruals for risks made to protect, despite the lack of a legal obligation, Customers who engaged in transactions involving derivatives and have suffered from the impact of the world financial crisis.

Sub-item 2.3 also included provisions for Credit Protection insurance policies pursuant to ISVAP (Italian Private Insurance Supervisory Institute) regulation No. 35 obliging insurance companies to pay back the portion of the advanced single premium, which was not used following early repayment of the loan linked to the policy itself, to Customers. The provision is an estimate of the possible future expenses to be borne by the Crédit Agricole Italia Banking Group to reimburse the insurers for the portion of commissions received on premiums paid by Customers.

Moreover, this sub-item reports the provision for the Bank and Small Investors Rescue scheme, allocated within the Fund provided for by the 2015 Italian Stability Law to protect small investors of the banks CARIFE, Banca Marche, BP Etruria and CARICHIETI, once found eligible based on an arbitration.

A disputed is pending on registration taxes with the *Agenzia delle Entrate*, the Italian Inland Revenue Service. The *Agenzia delle Entrate* has reclassified the transfers of branches from Intesa Sanpaolo to Crédit Agricole Cariparma and Crédit Agricole FriulAdria carried out in 2007 and the subsequent transfer of the received equity investments to the institutional Shareholders of the two Banks as sales of business units. Based on this reclassification, the total amount jointly due by the various parties involved on various grounds in the specific transactions would be approximately Euro 40 million, plus interest. On this dispute, favourable decisions were issued by the competent Courts of second instance, against which the *Agenzia delle Entrate* filed appeal with the Italian Court of Cassation.

Also in the light of the opinions, obtained at the beginning of these disputes, from leading Law Firms, as well as in the light of the favourable Court decisions issued, no provisions were allocated for these disputes.

In 2014, a dispute started, again on registration taxes and based on the same grounds, regarding a similar transaction carried out in 2011, once again with the Intesa Sanpaolo Group. This dispute entails a request to pay taxes for a total amount of approximately Euro 13.5 million, plus interest.. In the first half of 2016, a favourable first-instance decision was issued and was appealed against by the Tax Authority. As regards the dispute on the FriulAdria transfer (Euro 2.6 million), in February 2017, a favourable judgement was issued by the competent court of second instance.

Again in regard to such transaction, in March 2016 other verification notices were served concerning the recalculation of the business unit value for a total of Euro 2.1 million, which were appealed against. The above considerations cannot but apply also to this latest dispute and no provisions have been allocated for it.

In August 2016, a favourable opinion was given on the dropping, for self-defence reasons, of a tax-related dispute concerning the sale of loans made in 2005 on a non-recourse basis to an unrelated securitization firm, for a disputed amount of taxes of Euro 5.5 million, plus penalties and interest. No provisions for this dispute had been made and the Bank is expecting repayment of the amounts paid while the judgement was pending amounting to Euro 2.4 million.

In 2014, a dispute was started subsequent to non-payment to Crédit Agricole Cariparma of part of the specific tax account receivable provided for by 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.

With the above Law, the Italian State provided a contribution to tax payers that took out floating-rate mortgage loans for the purchase of their home amounting to the interest paid by the same tax payers in 2009 at a rate of over 4%. This amount was to be credited directly by the lending banks that would recover it through a tax account receivable.

The Italian Inland Revenue Service has refused to acknowledge the portion of this tax account receivable relating to amounts actually credited to Customers in 2010 and issued the relevant tax payment form. Consequently, Crédit Agricole Cariparma had to pay an amount of Euro 1.3 million and started a specific dispute.

However, the fist-instance judgement has confirmed the claim of the *Agenzia delle Entrate* as to the tax amount, while it overruled the penalty claim. The Bank has continued this dispute, believing that its position has valid grounds, and, at the end of July 2016, appeal was filed with the competent Court of second instance, against which the *Agenzia delle Entrate* filed its counterclaims.

In 2013, Crédit Agricole FriulAdria was subject to a general audit by the *Agenzia delle Entrate*, which was followed by a Verification Report (Italian acronym PVC). Based on the allegations made in the Verification Report, in order to reduce the dispute cost, the case was resolved in the past years, within a specific settlement with acceptance petition, thus reducing the subsequent liability to an amount close to Euro 0.1 million. The petition did not include the allegations relating to transfer prices applied in transactions with foreign companies and contained in the verification report; these could lead to an assessment in terms of taxes amounting to approximately Euro 0.5 million, plus penalties and interest. The allegations are deemed groundless, since there are valid arguments supporting the conduct of Crédit Agricole FriulAdria. Consequently, no provision was allocated for this reason. Finally, the terms for the assessment of the above allegations are deemed to have expired.

In the second half of 2016, Crédit Agricole FriulAdria was subject to a general audit by the *Agenzia delle Entrate* concerning the 2013 tax year, which was followed by a Verification Report (Italian acronym PVC) which was served at the end of 2016 and is currently being examined. A similar event concerned Carispezia, which was also served a Verification Report (PVC) at the end of 2016; the Verification Report is currently being examined.

Based on the assessments made, it is believed that, should the allegations set forth in the documents be accepted, with a rational interpretation of the taxes disputed, the expense for the Group using immediately deflationary procedures in the dispute, would in no case be higher than Euro 1.25 Mln, in terms of taxes and penalties. On the other hand, clear grounds are believed to exist for the correctness of the conduct adopted, as well as reasonable grounds exist for the decrease in the actual amounts that can be disputed. Based on the above and pointing out that this disputes entails amounts that are not significant for the Group, no specific provision was recognized.

As regards Crédit Agricole Carispezia, in the year, the *Agenzia delle Entrate* filed appeal against the second instance judgement, which was in favour of the Bank, on the dispute concerning registration taxes for an amount of approximately Euro 0.6 million regarding the tax rate applicable to the purchase of a business unit made in 2006 by Carifirenze, at the time Carispezia's Controlling Company. At the end of 2016, a hearing in Chambers was held petitioning the inadmissibility of the appeal filed with the Court of Cassation by the *Agenzia delle Entrate*. The Italian Court of Cassation ruled that the appeal filed by the *Agenzia delle Entrate* was inadmissible sentencing it to refund legal expenses; therefore, this dispute can be deemed closed. In the light of its defence arguments, Crédit Agricole Carispezia had recognized no provision.

Section 15 – Group Equity – Items 140, 160, 170, 180, 190, 200 and 220

15.1 CAPITAL AND TREASURY SHARES: COMPOSITION

The Parent Company's share capital, fully paid-in, consists of 876,761,620 ordinary shares.

No treasury shares were held as at the reporting date.

15.2 CAPITAL – NUMBER OF SHARES OF THE PARENT COMPANY: CHANGES FOR THE YEAR

Items/Types	Ordinary	Other
A. Shares – opening balance	**876,761,620**	**–**
– fully paid-in	876,761,620	–
– partially paid-in	–	–
A.1 Treasury shares (–)	–	–
A.2 Outstanding shares: opening balance	876,761,620	–
B. Increases	**–**	**–**
B.1 New issues	–	–
– for a consideration:	–	–
– business combinations	–	–
– conversion of bonds	–	–
– exercise of warrants	–	–
– 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	**876,761,620**	**–**
D.1 Treasury shares (+)	–	–
D.2 Shares – closing balance	876,761,620	–
– fully paid-in	876,761,620	–
– partially paid-in	–	–

15.3 CAPITAL: OTHER INFORMATION

The Parent Company's share capital, fully paid-in, consists of 876,761,620 ordinary shares, with a nominal value of Euro 1 each.

15.4 INCOME RESERVES: OTHER INFORMATION

Items/Types	Amounts
Legal reserve	152,827
Reserves provided for by the Articles of Association	780,372
Reserve pursuant to Art. 13 of It. Leg. D. 124/93(*)	314
Other reserves	159,847
Total	**1,093,360**
Reserve from share-based payments(**)	3,602
Other reserves	–18,136
Total reserves	**1,078,826**

(*) Reserve pursuant to Article 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

15.5 OTHER INFORMATION

The increase in the "Equity instruments" item referred to the issue of Additional Tier 1 instruments for a total of Euro 200 million.
The "Treasury shares" item reports the Group's portion of the treasury shares of Crédit Agricole FriulAdria which were purchased in the reporting year.

Section 16 – Minority interests – Item 210

16.1 BREAKDOWN OF ITEM 210 "MINORITY INTERESTS"

Company name	31.12.2016
Equity investments in consolidated companies with significant minority interests	
1. Crédit Agricole FriulAdria S.p.A.	145,794
2. Crédit Agricole Carispezia S.p.A.	47,247
3. Crédit Agricole Leasing S.r.l.	12,490
4. Crédit Agricole Group Solutions S.c.p.A.	353
Other equity investments	14
Total	**205,898**

16.2 EQUITY INSTRUMENTS: COMPOSITION AND CHANGES FOR THE YEAR

Items/Components	31.12.2016	31.12.2015
1. Share Capital	61,070	61,502
2. Share premium reserve	99,941	102,913
3. Reserves	34,120	34,816
4. (Treasury Shares)	–964	–
5. Valuation reserves	887	5,123
6. Equity instruments	–	–
7. Net profit (loss) pertaining to minority shareholders	10,844	10,248
Total	**205,898**	**214,602**

OTHER INFORMATION

1. Guarantees issued and commitments

Transactions	31.12.2016	31.12.2015
1) Financial guarantees issued	814,191	942,256
a) Banks	228,374	291,450
b) Customers	585,817	650,806
2) Commercial guarantees issued	1,061,416	1,091,300
a) Banks	92,300	78,390
b) Customers	969,116	1,012,910
3) Irrevocable commitments to disburse funds	132,481	270,272
a) Banks	3,199	142,203
i) certain use	3,199	142,203
ii) uncertain use	–	–
b) Customers	129,282	128,069
i) certain use	2,073	3,626
ii) uncertain use	127,209	124,443
4) Commitments underlying credit derivatives: protection sales	–	–
5) Assets pledged as collaterals for third-party debts	–	–
6) Other commitments	122,453	104,999
Total	**2,130,541**	**2,408,827**

2. Assets pledged as collateral for own liabilities and commitments

Portfolios	31.12.2016	31.12.2015
1. Financial assets held for trading	–	–
2. Financial assets designated at fair value	–	–
3. Financial assets available for sale	250,488	254,349
4. Investments held to maturity	–	–
5. Loans to banks	–	1,005
6. Loans to Customers	3,247,105	2,918,144
7. Property, plant and equipment	–	–

As at 31 December 2016, guarantees given to ECB amounted to Euro 2,758 million worth of senior securities resulting from internal securitization transactions and not recognized as assets in the Balance Sheet

3. Information on operating leases

OPERATING LEASES – LESSEE – IAS 17 ART. 35 – LETTER A/B

Future minimum payments due under non-cancellable leases	< 1 year	1<> 5 years	> 5 years	Indefinite maturity	Total
Land					–
Buildings					–
Furniture					–
Electronic systems – Hardware					–
Electronic systems – other					–
Other – motor-vehicles (including cars)	2,421	3,640			6,061
Other – office machinery	72	25			97
Other – telephones (landline and mobile)					–
Other – other					–
Software					–
Total	**2,493**	**3,665**	**–**	**–**	**6,158**

OPERATING LEASES – LESSEE – IAS 17 ART. 35 – LETTER C

Expenses for the year	Minimum payments	Potential lease payments	Payments from subleases	Total
Land				–
Buildings				–
Furniture				–
Electronic systems – Hardware				–
Electronic systems – other				–
Other – motor-vehicles (including cars)	2,768			2,768
Other – office machinery	367			367
Other – telephones (landline and mobile)				–
Other – other				–
Software				–
Total	**3,135**	**–**	**–**	**3,135**

OPERATING LEASES – LESSEE – IAS 17 ART. 35 – LETTER D

Description of contracts	Criteria for determining lease payments	Renewal or purchase options	Indexing clauses
Other – motor-vehicles (including cars)	Fee determined based on make, model, engine size and accessories of each vehicle and including additional services	The Customer shall have the right to request an extension of the contract, with prior acceptance by the renting Company, at a fee that the renting Company may review	--
Other – office machinery	Photocopiers: fixed monthly fee for each machine Stamper: fixed monthly fee	Photocopiers: purchase option at the end of the lease Stamper: fixed monthly fee	--

5. Management and intermediation services

Type of services	Amounts
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	1,176,509
a) individual	1,176,509
b) collective	–
3. Custody and administration of securities	
a) third-party securities on deposit held for depository bank services (excluding asset management)	–
1. securities issued by the companies included in the consolidation	–
2. other securities	–
b) other securities of third parties on deposit (excluding asset management): other	43,039,742
1. securities issued by the companies included in the consolidation	6,054,934
2. other securities	36,984,808
c) third-party securities deposited with third parties	41,678,864
c) proprietary securities deposited with third parties	5,154,900
4. Other transactions	–

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=c-d-e) 31.12.2016	Net amount 31.12.2015
				Financial Instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	841,264	–	841,264	752,997	55,384	32,883	43,727
2. Repurchase agreements	–	–	–	–	–	–	1,005
3. Securities lending	–	–	–	–	–	–	–
4. Other	–	–	–	–	–	–	–
Total 31.12.2016	**841,264**	**–**	**841,264**	**752,997**	**55,384**	**32,883**	**X**
Total 31.12.2015	**811,619**	**–**	**811,619**	**711,841**	**55,046**	**44,732**	**44,732**

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) 31.12.2016	Net amount 31.12.2015
				Financial Instruments (d)	Cash deposit as collateral (e)		
1. Derivatives	851,660	–	851,660	752,997	–	98,663	86,781
2. Repurchase agreements	–	–	–	–	–	–	2,005
3. Securities lending	–	–	–	–	–	–	–
4. Other transactions	–	–	–	–	–	–	–
Total 31.12.2016	**851,660**	**–**	**851,660**	**752,997**	**–**	**98,663**	**X**
Total 31.12.2015	**800,627**	**–**	**800,627**	**711,841**	**–**	**88,786**	**88,786**

PART C INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 – Interests – Items 10 and 20

INTEREST INCOME AND SIMILAR REVENUES: COMPOSITION

Items/Technical forms	Debt securities	Loans	Other transactions	31.12.2016	31.12.2015
1 Financial assets held for trading	9	–	–	9	737
2 *Financial assets designated at fair value*	–	–	–	–	2,382
3 Financial assets available for sale	101,331	–	–	101,331	118,263
4 Investments held to maturity	–	–	–	–	–
5 Loans to banks	1,190	23,793	–	24,983	39,102
6 Loans to Customers	5,548	748,835	2,292	756,675	898,933
7 Hedging derivatives	X	X	182,159	182,159	184,961
8 Other assets	X	X	5,644	5,644	749
Total	**108,078**	**772,628**	**190,095**	**1,070,801**	**1,245,127**

1.2 INTEREST INCOME AND SIMILAR REVENUES: DIFFERENCES ON HEDGING TRANSACTIONS

Items/Values	31.12.2016	31.12.2015
A. Positive differences on hedging transactions	361,856	419,275
B. Negative differences on hedging transactions	(179,697)	(234,314)
C. Balance (A-b)	182,159	184,961

1.3 INTEREST INCOME AND SIMILAR REVENUES: OTHER INFORMATION

1.3.1 Interest income on foreign-currency financial assets

As at 31 December 2016, interest income on foreign-currency financial assets came to Euro 4,590 thousand.

1.3.2 Interest income on finance lease transactions

As at 31 December 2016, interest income on finance lease transactions came to Euro 40,673 thousand.

1.4 INTEREST EXPENSES AND SIMILAR CHARGES: COMPOSITION

Items/Technical forms		Due and payables	Securities	Other transactions	31.12.2016	31.12.2015
1,	Due to central banks	(1,849)	X	–	(1,849)	(2,173)
2,	Due to banks	(19,577)	X	–	(19,577)	(28,069)
3,	Due to Customers	(46,685)	X	(1)	(46,686)	(67,755)
4,	Debt securities issued	X	(126,168)	–	(126,168)	(205,525)
5,	Financial liabilities held for trading	–	–	–	–	–
6,	*Financial Liabilities designated at fair value*	–	–	–	–	–
7,	Other liabilities and provisions	X	X	(1,543)	(1,543)	(321)
8,	Hedging derivatives	X	X	–	–	–
Total		(68,111)	(126,168)	(1,544)	(195,823)	(303,843)

1.6 INTEREST EXPENSES AND SIMILAR CHARGES: OTHER INFORMATION

1.6.1 Interest expense on foreign-currency liabilities

As at 31 December 2016, interest expense on foreign-currency financial liabilities came to Euro 1,658 thousand.

1.6.2 Interest expenses on liabilities for finance lease transactions

In 2016, there were no interest expenses resulting from finance lease transactions.

Section 2 – Fees and Commissions – Items 40 and 50

2.1 FEE AND COMMISSION INCOME: COMPOSITION

Type of services/Amounts	31.12.2016	31.12.2015
a) guarantees issued	16,926	15,811
b) credit derivatives	–	–
c) Management, intermediation and advisory services:	382,938	365,324
1. trading in financial instruments	–	–
2. foreign exchange trading	4,020	4,016
3. asset management	11,920	7,757
3.1. Individual	11,920	7,757
3.2. collective	–	–
4. Custody and administration of securities	5,131	5,037
5. depositary bank services	–	–
6. placement of securities	134,729	139,883
7. receipt and transmission of orders	8,621	11,109
8. advisory services	484	302
8.1 on investments	–	–
8.2 on financial structure	484	302
9. distribution of third-party services	218,033	197,220
9.1. asset management	–	–
9.1.1. individual	–	–
9.1.2. collective	–	–
9.2 insurance products	194,710	184,292
9.3. other products	23,323	12,928
d) collection and payment services	44,103	44,712
e) servicing activities for securitizations	–	–
f) services for factoring transactions	–	–
g) tax collection services	–	–
h) management of multilateral exchange systems	–	–
i) keeping and managing current accounts	175,522	184,982
j) other services	90,643	89,545
Total	**710,132**	**700,374**

Sub-item "j) other services" mainly reports fees and commissions on debit and credit cards and on e-money services amounting to Euro 39,981 thousand and fees and commissions for loans granted amounting to Euro 22,531 thousand.

2.2 FEE AND COMMISSION INCOME: COMPOSITION

Services/Values	31.12.2016	31.12.2015
a) guarantees received	(9,042)	(6,816)
b) credit derivatives	–	–
c) management and intermediation services:	(7,020)	(6,688)
1. trading in financial instruments	(1,491)	(2,053)
2. foreign exchange trading	–	–
3. asset management:	(2,011)	(1,592)
3.1 own portfolio	–	–
3.2 third-party portfolio	(2,011)	(1,592)
4. Custody and administration of securities	(1,147)	(1,122)
5. placement of financial instruments	(2,371)	(1,921)
6. off-premises distribution of financial instruments, products and services	–	–
d) collection and payment services	(2,720)	(3,132)
e) other services	(10,813)	(11,618)
Total	**(29,595)**	**(28,254)**

Sub-item “e) other services” reports fees and commissions on debit and credit cards and e-money services amounting to Euro 5,745 thousand, as well as other residual items.

Section 3 – Dividends and similar revenues – Item 70

3.1 DIVIDENDS AND SIMILAR REVENUES: COMPOSITION

Items/Revenues	31.12.2016		31.12.2015	
	Dividends	Income from units of collective investment undertakings	Dividends	Income from units of collective investment undertakings
A. Financial assets held for trading	6	–	3	–
B. Financial assets available for sale	8,736	–	7,567	–
C. Financial assets designated at fair value	–	–	–	–
D. Equity investments	–	X	–	X
Total	**8,742**	**–**	**7,570**	**–**

Section 4 – Net profits (losses) on trading activities – Item 80

4.1 NET PROFITS (LOSSES) ON TRADING ACTIVITIES: COMPOSITION

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net gain (loss) [(A+B) – (C+D)]
1. Financial assets held for trading	**3**	**2,189**	**(9)**	**(225)**	**1,958**
1.1 Debt securities	3	1,577	(3)	(12)	1,565
1.2 Equity securities	–	111	(6)	–	105
1.3 Units of collective investment undertakings	–	3	–	–	3
1.4 Loans	–	–	–	–	–
1.5 Other	–	498	–	(213)	285
2. Financial liabilities held for trading	–	–	–	–	–
2.1 Debt securities	–	–	–	–	–
2.2 Due and payables	–	–	–	–	–
2.3 Other	–	–	–	–	–
3. Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**4,852**
4. Derivative instruments	**57,812**	**63,535**	**(55,896)**	**(56,049)**	**9,497**
4.1 Financial derivatives:	57,812	63,535	(55,896)	(56,049)	9,497
– On debt securities and interest rates	56,659	62,861	(55,531)	(55,408)	8,581
– On equity securities and equity indices	804	–	–	–	804
– On foreign exchange and gold	X	X	X	X	95
– Other	349	674	(365)	(641)	17
4.2 Credit derivatives	–	–	–	–	–
Total	**57,815**	**65,724**	**(55,905)**	**(56,274)**	**16,307**

Section 5 – Net profits (losses) on hedging activities – Item 90

5.1 NET PROFITS (LOSSES) ON HEDGING ACTIVITIES: COMPOSITION

Income components/Values	31.12.2016	31.12.2015
A. Income on:	–	–
A.1 *Fair value hedging derivatives*	284,491	313,642
A.2 Hedged financial assets (fair value)	101,497	43,254
A.3 Hedged financial liabilities (fair value)	88,570	146,092
A.4 Cash flow hedging financial derivatives	–	–
A.5 Assets and liabilities in foreign currencies	–	–
Total income on hedging activities (A)	**474,558**	**502,988**
B. Expenses on:	–	–
B.1 *Fair value hedging derivatives*	(380,284)	(464,967)
B.2 Hedged financial assets (fair value)	(26,848)	(41,750)
B.3 Hedged financial liabilities (fair value)	(74,544)	(10,727)
B.4 Cash flow hedging financial derivatives	–	–
B.5 Assets and liabilities in foreign currencies	–	–
Total expenses on hedging activities (B)	**(481,676)**	**(517,444)**
C. Net gain (loss) on hedging (A – B)	**(7,118)**	**(14,456)**

Section 6 – Profits (losses) on disposal/repurchase – Item 100

6.1 PROFITS (LOSSES) ON DISPOSAL/REPURCHASE: COMPOSITION

Items/Income components	31.12.2016			31.12.2015		
	Gains	Losses	Net gains (losses)	Gains	Losses	Net gains (losses)
Financial assets						
1. Loans to banks	–	–	–	–	–	–
2. Loans to Customers	3,085	(19,604)	(16,519)	1,817	(15,848)	(14,031)
3. Financial assets available for sale	81,579	(32,729)	48,851	67,821	(16,810)	51,011
3.1 Debt securities	80,859	(32,729)	48,130	66,523	(16,810)	49,713
3.2 Equity securities	721	–	721	1,298	–	1,298
3.3 Units of collective investment undertakings	–	–	–	–	–	–
3.4 Loans	–	–	–	–	–	–
4. Investments held to maturity	–	–	–	–	–	–
Total Assets	**84,664**	**(52,332)**	**32,332**	**69,638**	**(32,658)**	**36,980**
Financial liabilities						
1. Due to banks	–	–	–	–	–	–
2. Due to Customers	–	–	–	–	–	–
3. Debt securities issued	526	(2,807)	(2,281)	815	(3,029)	(2,214)
Total liabilities	**526**	**(2,807)**	**(2,281)**	**815**	**(3,029)**	**(2,214)**

Section 8 – Net losses/recoveries on impairment – Item 130

8.1 NET LOSSES ON IMPAIRMENT OF LOANS: COMPOSITION

Transactions/Income components	Net losses on impairment			Recoveries				Total 31.12.2016	Total 31.12.2015
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
a. Loans to banks	–	–	–	–	–	–	–	–	–
– loans	–	–	–	–	–	–	–	–	–
– debt securities	–	–	–	–	–	–	–	–	–
B. Loans to customers	(16,373)	(354,917)	(37,224)	61,217	64,630	–	61,534	(221,133)	(311,748)
Non-performing loans purchased	–	–	–	–	–	–	–	–	–
– loans	–	–	X	–	–	X	X	–	–
– debt securities	–	–	X	–	–	X	X	–	–
Other loans and receivables	(16,373)	(354,917)	(37,224)	61,217	64,630	–	61,534	(221,133)	(311,748)
– loans	(16,373)	(354,917)	(37,224)	61,217	64,630	–	61,534	(221,133)	(311,748)
– debt securities	–	–	–	–	–	–	–	–	–
C. Total	(16,373)	(354,917)	(37,224)	61,217	64,630	–	61,534	(221,133)	(311,748)

Key:
A = from interest
B = other writebacks

8.2 NET LOSSES ON IMPAIRMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION

Transactions/Income components	Adjustments		Writebacks		31.12.2016	31.12.2015
	Specific		Specific			
	Writeoffs	Other	A	B		
A. Debt securities	–	–	–	–	–	–
B. Equity securities	–	(655)	X	X	(655)	(878)
C. Units of Collective Investment Undertakings	–	–	X	–	–	–
D. Loans to banks	–	–	–	–	–	–
E. Loans to customers	–	–	–	–	–	–
F. Total	**–**	**(655)**	**–**	**–**	**(655)**	**(878)**

Key:
A= from interest
B= other writebacks

8.4 NET LOSSES ON IMPAIRMENT OF OTHER FINANCIAL ACTIVITIES: COMPOSITION

Transactions/Income components	Adjustments			Writebacks				31.12.2016	31.12.2015
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Guarantees issued	(8,633)	(1,718)	(663)	–	11,363	–	381	730	(1,104)
B. Credit derivatives	–	–	–	–	–	–	–	–	–
C. Commitments to disburse funds	–	–	–	–	–	–	–	–	–
D. Other transactions	–	–	–	–	–	–	–	–	–
E. Total	**(8,633)**	**(1,718)**	**(663)**	**–**	**11,363**	**–**	**381**	**730**	**(1,104)**

Key:
A = from interest
B = other writebacks

Section 11 – Administrative expenses – Item 180

11.1 STAFF EXPENSES: COMPOSITION

Type of expenses/Sectors	31.12.2016	31.12.2015
1) Employees	(630,981)	(581,044)
a) wages and salaries	(419,156)	(416,878)
b) social security contributions	(110,325)	(111,015)
c) severance benefits	(183)	(197)
d) pensions	–	–
e) allocation to employee severance benefit provision	(1,962)	(1,615)
f) allocation to provision for post-employment benefits:	(270)	(234)
– defined-contribution	–	–
– defined-benefit	(270)	(234)
g) payment to external supplementary pension schemes:	(39,646)	(39,735)
– defined-contribution	(39,646)	(39,735)
– defined-benefit	–	–
h) costs from share-based payment agreements	–	–
i) other employee benefits	(59,439)	(11,370)
2) Other staff	(3,194)	(1,804)
3) Directors and Auditors	(2,751)	(2,762)
4) Retired staff	–	–
Total	**(636,926)**	**(585,610)**

11.2 AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY

Employees:	31.12.2016
a) Senior Managers	97
b) Junior Managers	3,671
c) other Employees	3,979
Other staff	80

The figures reporting the number of employees take account of incoming and outgoing secondments; the “Other staff” figure refers exclusively to non-employees.

11.3 COMPANY DEFINED-BENEFIT PENSION PLANS: TOTAL COSTS

Type of expenses/Values	31.12.2016	31.12.2015
Provision for the year	–	–
Changes due to passing of time	(270)	(234)

11.4 OTHER EMPLOYEE BENEFITS

These consisted of costs for the voluntary redundancy plan (Solidarity Fund) allocated in the reporting period amounting to Euro 51 million, costs for non-occupational policies, of the cost referring to the discount on Crédit Agricole SA shares subscribed by Employees, other fringe benefits, as well as to the contribution to the bank employees’ cultural and recreational club.

11.5 OTHER ADMINISTRATIVE EXPENSES: COMPOSITION

Type of expense/Values	31.12.2016	31.12.2015
Direct and indirect taxes	(103,801)	(107,295)
IT services, data processing	(43,226)	(40,298)
Facility rental and management	(48,475)	(49,485)
Expenses for advisory services	(26,589)	(28,076)
Mail, telegraph and delivery services	(5,414)	(8,816)
Telephone and data transmission	(9,275)	(9,668)
Legal expenses	(8,764)	(7,516)
Property maintenance	(2,034)	(3,094)
Furnishing and plant maintenance	(14,464)	(14,934)
Advertising, promotion and entertainment expenses	(10,263)	(8,479)
Transport services	(22,212)	(22,085)
Lighting, heating and air conditioning	(14,482)	(14,083)
Printed material, stationery and consumables	(5,053)	(6,482)
Staff training expenses and reimbursements	(8,996)	(7,025)
Security services	(2,821)	(3,326)
Information and title searches	(6,117)	(6,171)
Insurance premiums	(167,960)	(160,262)
Cleaning services	(5,546)	(5,738)
Leasing of other property, plant and equipment	(7,789)	(7,467)
Management of archives and document handling	(1,829)	(1,568)
Reimbursement of costs to Group companies	(25,360)	(30,759)
– Contributions to SRF/DGS/SPS	(44,838)	(41,676)
Sundry expenses	(14,207)	(11,994)
Total	**(599,515)**	**(596,297)**

Section 12 – Net provisions for risks and charges – Item 190

12.1 NET PROVISIONS FOR RISKS AND CHARGES: COMPOSITION

Net provisions for risks and charges came to Euro 17.3 million and consisted of Euro 10.2 million worth of provisions for non-lending-related legal disputes, of Euro 2.1 million for lending-related legal disputes and Euro 5 million worth of other provisions.

Section 13 – Net adjustments of/recoveries on property, plant and equipment – Item 200

13.1 NET VALUE ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: COMPOSITION

Assets/Income components	Depreciation (a)	Impairment adjustments (b)	Recoveries/ writebacks (c)	Net gain (loss) (a + b – c)
A. Property, plant and equipment:				
A.1 Owned	(29,938)	–	–	(29,938)
– Operating assets	(29,144)	–	–	(29,144)
– Investment property	(794)	–	–	(794)
A.2 Acquired under finance leases	–	–	–	–
– Operating assets	–	–	–	–
– Investment property	–	–	–	–
Total	**(29,938)**	**–**	**–**	**(29,938)**

Section 14 – Net adjustments of/recoveries on intangible assets – Item 210

14.1 NET VALUE ADJUSTMENTS OF INTANGIBLE ASSETS: COMPOSITION

Attività/Componenti reddituali	Ammortamento (a)	Rettifiche di valore per deterioramento (b)	Riprese di valore (c)	Risultato netto (a + b – c)
A, Attività immateriali				
A,1 Di proprietà	(67,029)	–	–	(67,029)
– Generate internamente dall’azienda	(2,488)	–	–	(2,488)
– Altre	(64,541)	–	–	(64,541)
A,2 Acquisite in leasing finanziario	–	–	–	–
Totale	**(67,029)**	**–**	**–**	**(67,029)**

Section 15 – Other operating expenses and income – Item 220

15.1 OTHER OPERATING EXPENSES: COMPOSITION

Type of expense/Values	31.12.2016	31.12.2015
Expenses for finance lease transactions	(6,495)	(6,447)
Currency/monetary adjustments	–	–
Integrations and reorganization expenses	–	–
Amortization of expenditure for leasehold improvements	(9,902)	(8,830)
Other expenses	(8,100)	(8,810)
Consolidation adjustments	–	–
Total	**(24,497)**	**(24,087)**

15.2 OTHER OPERATING INCOME: COMPOSITION

Type of expense/Values	31.12.2016	31.12.2015
Rental income and recovery of expenses on real estate	870	622
Income on finance lease contracts	3,129	1,449
Recovery of rental expenses	–	–
Recovery of taxes and levies	91,915	95,366
Recovery of insurance costs	166,234	158,417
Recovery of other expenses	11,928	10,489
Service recovery	1,453	520
Other income	35,945	44,097
Consolidation adjustments	–	–
Total	**311,474**	**310,960**

Section 16 – Profits (losses) on equity investments – Item 240

16.1 PROFITS (LOSSES) ON EQUITY INVESTMENTS: COMPOSITION

Income components/Sectors	31.12.2016	31.12.2015
1) Joint ventures		
A. Income	9,786	11,626
1. Revaluations	–	–
2. Gains on disposal	65	–
3. Writebacks/recoveries	–	–
4. Other income	9,721	11,626
B. Expenses	(20)	(2,009)
1. Write-downs	–	–
2. Impairment adjustments	(20)	(20)
3. Losses on disposal	–	(1,989)
4. Other expenses	–	–
Net gain (loss)	9,766	9,617
2) Investees subject to significant influence		
A. Income	–	1,173
1. Revaluations	–	–
2. Gains on disposal	–	1,173
3. Writebacks	–	–
4. Other income	–	–
B. Expenses	–	–
1. Write-downs	–	–
2. Impairment adjustments	–	–
3. Losses on disposal	–	–
4. Other expenses	–	–
Net gain (loss)	–	1,173
Total	**9,766**	**10,790**

Section 18 – Impairment on goodwill – Item 260

18.1 IMPAIRMENT ON GOODWILL: COMPOSITION

In 2016, the goodwill that emerged from the various business combinations made by the Group starting from 2007 was tested for impairment: for no one of the Cash Generating Units (i.e. Retail + Private Banking and Mid-Corporate+ Large- Corporate), the test showed evidence of impairment.

Section 19 – Profits (losses) on disposal of investments – Item 270

19.1 PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS: COMPOSITION

Income components/Sectors	31.12.2016	31.12.2015
A. Real estate	76	136
– Profits on disposal	76	136
– Losses on disposal	–	–
B. Other assets	(320)	–
– Profits on disposal	18	–
– Losses on disposal	(338)	–
Net profit (loss)	**(244)**	**136**

Section 20 – Taxes on income from continuing operations – Item 290

TAXES ON INCOME FROM ON CONTINUING OPERATIONS: COMPOSITION

Income components/Sectors		31.12.2016	31.12.2015
1.	Current taxes (–)	(74,946)	(106,227)
2.	Changes in current taxes for previous years (+/–)	45	–
3.	Reduction in current taxes for the year (+)	2,286	63
3.bis	Reduction in current taxes for the year for tax receivables pursuant to Law No. 214/2011 (+)	737	–
4.	Change in deferred tax assets (+/–)	(38,014)	(13,604)
5.	Change in deferred tax liabilities (+/–)	607	1,123
6.	Taxes for the year (–) (–1+/–2+3+3bis+/–4+/–5)	(109,285)	(118,645)

20.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED

	31.12.2016
Net profit before taxes on continuing operations	328,253
Net profit on discontinued operations (before taxes)	–
Theoretical taxable income	**328,253**

	31.12.2016
Income taxes – Theoretical tax liability	(90,270)
– effect of expenses that are fully or partially non-deductible and income that is fully or partially non-taxable	9,693
– consolidation effect	(11,869)
Income taxes – Actual tax liability	(92,445)
– provision for taxes to recognize the higher value of Bank of Italy shares It. Law 147/2013	–
– use of excess tax provisioning in previous years	1,800
– reversal of deferred tax liabilities for previous years to be recognized in equity	–
– effect of deduction and tax receivables	486
IRAP – Theoretical tax liability	(18,041)
– effect of income/expenses that do not contribute to the taxable base	(71,183)
– effect of other changes	72,487
– consolidation effect	(2,401)
– effect of change in the average tax rate	12
IRAP – Actual tax liability	(19,126)
Other taxes	–
Actual tax liability recognized	**(109,285)**

Section 22 – Net profit (Loss) for the year attributable to Minority Interests – Item 330

22.1 BREAKDOWN OF ITEM 330 “NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO MINORITY INTERESTS”

The net profit attributable to Minority Interests came to Euro 10,844 thousand and referred to Crédit Agricole FriulAdria S.p.A., Crédit Agricole Carispezia S.p.A., Crédit Agricole Leasing S.r.l. and Crédit Agricole Group Solutions S.c.p.a.

Section 24 – Earnings per share

24.1 AVERAGE NUMBER OF ORDINARY SHARES OF DILUTED CAPITAL

The Parent Company’s share capital consists of 876,761,620 ordinary shares, with a nominal value of Euro 1 each.

PART D – CONSOLIDATED COMPREHENSIVE INCOME

Breakdown statement of consolidated comprehensive income

	Items	Gross amount	Income tax	Net amount
10.	**Profit (Loss) for the year**	**X**	**X**	**218,968**
	Other income components with no reversal to Income Statement			
20	Property, plant and equipment	–	–	–
30.	Intangible Assets	–	–	–
40.	Defined-benefit plans	(5,467)	1,495	(3,972)
50.	Non-current assets held for sale/disposal groups	–	–	–
60.	Portion of Valuation Reserves on equity investments measured using the equity method	–	–	–
	Other income components with reversal to Income Statement			
70.	Hedging of investments in foreign operations:	–	–	–
	a) changes in fair value	–	–	–
	b) reversals to Income Statement	–	–	–
	c) other changes	–	–	–
80.	Exchange rate differences:	–	–	–
	a) changes in fair value	–	–	–
	b) reversals to Income Statement	–	–	–
	c) other changes	–	–	–
90.	Cash flow hedges:	–	–	–
	a) changes in fair value	–	–	–
	b) reversals to Income Statement	–	–	–
	c) other changes	–	–	–
100.	Financial assets available for sale:	(134,131)	43,823	(90,308)
	a) changes in fair value	(78,839)	25,375	(53,464)
	b) reversals to Income Statement	(55,292)	18,448	(36,844)
	– impairment adjustments	654		654
	– Gains/losses from realization	(55,946)	18,448	(37,498)
	c) other changes	–	–	–
110	Non-current assets held for sale:	–	–	–
	a) changes in fair value	–	–	–
	b) reversals to Income Statement	–	–	–
	c) other changes	–	–	–
120	Portion of Valuation Reserves on equity investments measured using the equity method	–	–	–
	a) changes in fair value	–	–	–
	b) reversals to Income Statement	–	–	–
	– impairment adjustments	–	–	–
	– Gains/losses from realization	–	–	–
	c) other changes	–	–	–
130	**Total other income components**	**(139,598)**	**45,318**	**(94,280)**
140	**Comprehensive income (10+130)**	**(139,598)**	**45,318**	**124,688**
150.	Consolidated comprehensive income attributable to Minority Interests	–	–	(6,608)
160	**Consolidated comprehensive income attributable to the Parent Company**	**(139,598)**	**45,318**	**118,080**

PART E – INFORMATION ON RISKS AND RELATIVE HEDGING POLICIES

Section 1 – The Banking Group Risk Management

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 Cariparma is the operating Parent Company in Italy engaged in overall risk guidance and control, and operates both as coordinator and as a commercial bank with its own distribution network.

In turn, the system set by Crédit Agricole Cariparma is based on the Supervisory regulations and on the directions issued by Credit Agricole S.A. concerning its subsidiaries.

As a Group largely operating in the Retail Banking business, 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 Group companies have their own risk management and control structures in compliance with the Group's guidelines, benefit from the functions directly performed by Crédit Agricole Cariparma, when centralized, and operate in their respective reference perimeters.

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 limits and indicators that are provided for 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, which consist of the reference roles of all relevant corporate Departments.

To be noted are the Internal Control Committee and the Risk Committees (Risk Management and ALM), 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 operating functions;
- specific training.

RISK APPETITE FRAMEWORK

The Crédit Agricole Italia Banking Group has set down its Risk Appetite Framework – "RAF" at the BoD meeting held on 11 February 2016. 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.

Moreover, in 2016, the Risk Appetite Framework was further strengthened with the renewal of the Policies on the RAF and on the Most Relevant Transactions (*Operazioni di Maggior Rilievo* – MRT or with the Italian acronym OMR), as well as with the preparation of the Risk Appetite Statement (RAS). This document reports the governance process regarding risk management, identifying the roles of the management and control bodies within the Group for proper monitoring of risks and correct definition of the RAF; finally, the main qualitative and quantitative risks are mapped, for which risk indicators and the relevant alert thresholds have been set; in case these are exceeded, a Recovery Plan process shall be triggered.

The Group's Risk Appetite expresses the risk level that the Group is willing to take for every type of risk.

The Group's risk appetite has been determined especially based on its financial policy and on its risk management policy and is expressed through:

- A policy for selective and responsible lending within a prudent lending policy that takes all due account of the risk policy, of the corporate social responsibility policy and of the system of decision-making powers in force;
- Keeping exposure to market risk to a minimum level;
- Strict oversight on exposure to operational risk;
- A system of controls aimed at controlling non-compliance risk (identified and monitored);
- Careful measurement of risk-weighted assets;
- Integrated management of the Group's assets and liabilities.

The structure of the Risk Appetite Framework 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.

For this purpose, 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.

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 Risk Strategy operational limits that allow the risks taken to be identified and monitored in detail, thus ensuring full penetration of the RAF model.

Finally, in 2016, within the RAF ordinary management, prior and advisory opinions were given regarding the consistency of the Most Relevant Transactions (*Operazioni di Maggior Rilievo* – MRT or with the Italian acronym OMR) with the risk management policy at the Cariparma CA Group level.

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

- Risk Appetite (risk objective or risk appetite): level of risk (overall and by type) that the Company 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 Bank 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 a Company is technically able to take without violating any regulatory requirements or other restrictions set 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 periodic reports, to the Risk Management Committee and to the Board of Directors of the Parent Company and of the other Entities of the Group.

In case the Tolerance and Capacity levels of the RAF indicators are exceeded, an escalation process is provided for, which is fit to propose the relevant corrective actions to return to the normal risk levels (Recovery Plan).

As at 31 December 2016, the Group main indicators were found good and consistent with the Risk Appetite set by the Group. They never exceeded the set Tolerance levels.

INTERNAL CONTROL SYSTEM

In accordance with the applicable regulations in force and with the guidelines issued by the Parent Company Crédit Agricole S.A., the internal control system of the Crédit Agricole Italia Banking Group is structured so as to ensure, when fully operating, detection, measurement, verification and control of risks associated to the performance of corporate operations.

In general, the internal control system is implemented with two modes of control, permanent and periodic; the control structure consists of three different levels and is implemented based on the French legislation and on the guidelines of Crédit Agricole S.A.:

Control type	Control level		Structures involved	Control frequency
Permanent control	1st Degree		Employees, Information Systems, involved in the start-up or	Constant
	2nd Degree	1st Level	Employees other than those that started the transaction	
		2nd Level	– Central Compliance Department – Risk Management and Permanent Controls Department (DRCP) – Validation Unit within the DRCP	
Periodic control	3rd Degree		Internal Audit Department	Periodic

Consistently with the guidelines issued by the Parent Company Crédit Agricole SA, the Permanent Controls System is part of the wider scope of review of the Banks' operations, in the light of the Supervisory regulations, to ensure full capital soundness.

Permanent control is structured as follows:

- Automatic first-degree
  - controls: carried out by automated systems;
  - line-based:
    - — direct: manual controls made by the employee;
    - — hierarchic: Branch manager and higher decision-making roles;
- Second-degree controls
  - first-level controls: employees other than those who started the transaction and authorised to carry out operational activities (for example, back office);
  - second-level controls: employees exclusively engaged in specialist last-level permanent control (e.g. risk monitoring, verification of adequacy and effectiveness of permanent controls): Compliance Department/ Risk Management and Permanent Controls Department/Validation Unit.

Periodic control (called "third-degree control") refers to specific auditing of all activities (including permanent control and non-compliance control) by the Audit unit, based on both remote and on-site inspections provided for by an audit plan.

The internal control tool 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 the risk mapping;
- The implementation of the classification of operating activities, decision-making powers and controls;
- The exercise of permanent controls at the different degrees and levels envisaged, 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 corporate bodies and top management engaged in governance and control functions.

The configuration of the internal control system is shared and formalized in the entire Group through the internal regulation 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 that are responsible for second degree – second level controls;
- the Internal Audit Department that 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 2016 the Risk Management and Permanent Controls Department was engaged in the main projects listed below:

- The upgrading of the structures for the control of IT risk to the supervisory regulations and to the recommendations issued by the Internal Audit Department, consistently with the CARS (C.A. Reinforcement of Security) Project;
- Automation of the Credit Control Framework/Dashboard (*Quadro di Controllo* – QdC) and publication on the Company's Intranet;
- Strengthening and automation of control on financial risks (LCR) and implementation of the controls regarding the Volcker rule/LBF.

In 2017, the main projects will concern:

- The strengthening of the Data Governance system (BCBS 239);
- The completion of the evolution of Retail models and of the initiatives for shortfall mitigation (with specific regard to eligibility of personal guarantees)

The above activities will be carried out also in cooperation with the relevant structures of the French Parent Company.

THE COMPLIANCE FUNCTION

The model adopted by the Crédit Agricole Italia Banking Group vests the Compliance function with a central role to establish relationships with its Stakeholders based on reciprocal trust and fairness, as the pre/condition and foundation of long/term relationships and for value creation that is sustainable and long-lasting.

Its reputation and trust relationship with its Customers and its other Stakeholders are the Group's fundamental asset and the Compliance Function is a key player to protect and increase such asset's value. Supervisory Authorities and the market see reputation as one of the pillars for healthy and prudent management as required of intermediaries in order to ensure their competitiveness and their income and financial stability over time. Therefore, this Function is responsible for ensuring full compliance with all applicable legislation and is one of the qualifying factors of the entire management model.

The Compliance Function is part of the internal controls system as a second-level function, is independent of all "productive" functions and is responsible for preventing the risk of judicial penalties or fines, of significant financial losses or reputational damage caused by any violation of mandatory legislation provisions or self-regulation.

The Group's Compliance function is the task of the Central Compliance Department, which reports on a solid line to the Chief Executive Officer of Crédit Agricole Cariparma and on a dotted line to the Direction de la Conformité of Crédit Agricole S.A.

THE INTERNAL AUDIT FUNCTION

The Internal Audit Department 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 Internal Audit Department of the Parent Company Crédit Agricole SA.

The Internal Audit Department

- Performs periodic controls on the processes and on the organizational units of all the Companies of the Crédit Agricole Italia Banking Group, 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.
- Assesses 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 and with all applicable internal and external regulations;
- Is tasked with governance and steering of the internal audit functions of the companies of the Crédit Agricole Italia Banking Group;
- Provides the Top Management, the Corporate Bodies and the Parent Company Crédit Agricole S.A. with prompt and systematic reporting on the activities carried out.

THE MANAGER IN CHARGE

Pursuant to above-mentioned Article 154-*bis*, in a specific document attached to the Annual Report and Separate Financial Statements, the Annual Report and Consolidated Financial Statements and the Interim 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 books 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, of the situation of the Bank and of the Group, as well as the description of the main risks and uncertainties to which they are exposed.

Credit Risk

QUALITATIVE DISCLOSURES

The Central Credit Department (Italian acronym DC) is responsible for the lending operations of the Crédit Agricole Italia Banking Group. It has the task of setting, in accordance 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, giving direct authorization within its responsibilities and decision-making powers.

This Central 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, as required to control the cost of credit, by directly and indirectly steering the lending chain of the Companies of the Group and the Distribution Channels;
- To define and promote, consistently with the Group strategies and objectives, an appropriate standardization of models, lending instruments and lending governance rules;
- To verify, through appropriate operating control mechanisms, compliance with the lending guidelines and policies within the Group. The Credit 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.

CREDIT RISK MANAGEMENT POLICIES

Organisational aspects

Lending operations are performed by the different dedicated structures of the Parent Company and of the Group Banks and investee Companies; these dedicated structures report on both a solid and dotted line to the Credit Department.

Crédit Agricole Cariparma organization includes the Loan Authorization Division, the Loan Management and Protection Division and the Special Loan Division:

- The Loan Authorization Division is responsible, as regards the relevant Customer perimeter, for loan performance and quality in Crédit Agricole Cariparma within the lending processes and policies that fall in the Credit Department scope; the Loan Authorization Division comprises Loan Authorization Services, every one of which specializes in the assessment of loan applications that are subdivided by Customer segment (Retail, Corporate and Private Banking and the Financial Advisors Business Unit) and regard specific "production chains", which amount to economic activity sectors that are deemed particularly significant for the Group strategy;
- The Loan Management and Protection Division is responsible, for the relevant Customer perimeter, 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 Cariparma for prompt and effective action to prevent loan impairment, so that the relevant cost is kept under control. Moreover, for all exposures entailing low amounts and falling within its scope, this Division is responsible for the monitoring and general steering of recovery/collection activities, as well as for regulating collection services outsourced to specialist companies. In steering and governing outsourced collection activities for small amount exposures, it is responsible for setting specific KPIs and for verifying compliance with the set performances by the providers of outsourced collection services;
- The Special Loan Division is responsible for the performance and quality of loans to:
  - Real Estate and Building Companies, as well as to Companies that are subject to debt restructuring agreements, with reference to the remedial actions provided for by Articles 67,182, 160 and 161 of the Italian Bankruptcy Law.
  - Companies showing obvious warnings or evidence of being non-performing (except for bad loan positions) entailing exposures – in terms of single company and/or economic/legal group higher than Euro 3.5 million.
  - To Customers that have lease contracts in force and show obvious warnings or evidence of being non-performing (except for bad debts).

The M/L-Term Loans Service, the Credit Secretary Service and Credit Intelligence Service also report on a solid line to the Credit Department.

The Group Banks and Investee Companies also have the following structures, which report on a dotted line to the Credit Department: Loan Authorization Division, Loan Management and Protection Division, Special Loan Service (Crédit Agricole FriulAdria), Loan Authorization Division, Loan Management and Protection Service, Special Loan Service (Crédit Agricole Carispezia), Credit Function of CALIT, Credit Advisory Division of Crédit Agricole Cariparma for the relevant perimeter and the Credit and Finance Division for the relevant perimeter.

MANAGEMENT, MEASUREMENT AND CONTROL

Lending policies and strategies

In 2016, the evolution of the economic scenario and the market performance has generated the need to review the approaches and procedures based on which the Banks of the Crédit Agricole Italia Banking Group take and manage Credit Risk towards Customers.

Lending policies set down the standards and directions which the Distribution Network and the Decision-making Bodies shall comply with to authorize and manage loans, to make lending proposals and decisions; lending policies are structured and updated in order to foster balanced growth with the worthiest Customers and to recover exposures to the riskiest ones;

They apply to Customers, excluding positions classified as Non-performing, are set at Group level and fall within the scope of the Risk Strategy, which is set every year in agreement with the Parent Company Crédit Agricole SA, with specific reference to risk concentration limits and to types of lending transactions, for which specific restrictions are provided for.

Consistently with the Bank's strategy, lending policies:
- are based on the Probabilities of Default (PD) calculated using rating models;
- They provide for general requirements in order for mortgage loans to be granted, also to achieve appropriate risk mitigation in determining the Economic Capital;
- Set rules for credit-risk taking towards Customers, both in the short- and medium-/long-term;
- Subdivide Customers based on the expected loss, so as to prepare specific and different lending strategies to which the Distribution Network refers in order make loan proposals.

Lending policies are differentiated based on the categories of Customers, as follows:
- Lending policies for Businesses, Production Chains and Public Administration Bodies;
- Lending policies for Individuals.

Lending policies for Businesses, Production Chains and State Bodies pursue the objectives set forth below:

- To set the credit risk management strategy on the basis of higher differentiation in accordance with the specific creditworthiness (Customer Risk);
- To identify the positioning of each sector in terms of risk/growth prospects;
- To associate a specific "view" to each sector and micro-sector, separating high-risk sectors from low-risk ones with potential opportunities for growth;

Lending policies for Business Customers apply to the legal-economic Group identified, or to single Businesses not belonging to the Group, resident and non-resident, and are structured based on the Customer risk and on the risk associated to the economic activity sectors.

Consistently with the above objectives, these policies were reviewed in 2016 in order to implement:

- The consolidation of the selective criteria already in force, based on which the Banks of the Group manage credit risk: the structure of the new "Policies" features higher differentiation both in terms of specific creditworthiness (Customer counterparty risk) and in terms of different lending strategies specific for the Large-Corporate (revenue higher than Euro 7.5 million) and Retail (revenue up to Euro 7.5 million) Regulatory Segments, in accordance with the specific features of the respective Customers;
- The increase from 3 to 4 sector riskiness clusters, fully consistent with the present risk management approach, as well as a review of the guidelines on the attributable Lending Policy grades, in order to be more in line with the present economic scenario and with the corporate strategies that pursue balanced growth in loans to the worthiest Customers and the recovery of exposures to the riskiest ones;
- Further strengthening of the actions already implemented to control the exposures to economic activity sectors that feature higher risk, both present and perspective, specifically as regards Customers operating in the "Real Estate", "Building" and "Hotel" sectors, for whom differentiated "Policies" have already been set down implementing directions and "limits" that are consistent with the Risk Strategy set on a yearly basis with the Parent Company Crédit Agricole SA; these actions have been extended to the "Gaming" and "Waste" micro-sectors, in accordance with the guidelines issued by the Compliance Department;
- The identification, in larger detail, of specific micro-sectors of economic activity, in order to take account of higher variability of the risk profile and attractiveness of the same, vs. the relevant macro-sectors;
- The confirmation of the approaches and procedures presently in force for exceptions to the application of the "Policies", to be submitted to the competent decision-making body that shall be determined based both on the specific Customer's creditworthiness and on the different grades within the Lending Policy;
- An update of the specific criteria set down by the Policies and dedicated to certain economic activities (such as the agri-food industrial sector and the sector of renewable energy), as well as to Companies with high vocation for export, which offer interesting opportunities for the development of loans, and to Public Administration Bodies and Confidi (Italian mutual loan-guarantee consortia);
- The review of risk concentration limits and of the procedures to use credit lines, for their differentiation in terms of Customer risk profile, in order to be more closely in line with the present economic scenario and with the above-reported strategic objectives of the "Policies".

Lending Policies for Individuals were also reviewed in 2016; they are defined at Banking Group level and apply to Natural Persons that take out loans for purposes other than those relating to business activities, excluding all Customers falling in the Non-performing positions perimeter. Lending Policies are structured based on Customer risk, on the Rating of the counterparty and/or the relevant legal/economic Group, as well as on the type of product that has been applied for by the Customer.

The Rating System is the tool used for application processing and authorization of credit lines/loans to Individuals and has been validated by the Supervisory Body, both for choosing the Decision-Making Body responsible for authorizing the loan, and for the definition of the creditworthiness of the same Customer.

The Lending Policies are integrated in the Electronic Loan Application Processing, which, within a decision-making system (the so-called "Lending Strategies"), steers decision-making processes; Lending Policies are different for different products and assign a summary rating/assessment to Customers in the Individuals sub-segment. This summary rating/assessment uses the three colours below indicating different procedures and decision-making powers:

- "Favourable" file (GREEN): in this case the loan application is submitted to the relevant Decision-Making Body, within a streamlined decision-making process;
- File "to be assessed" (YELLOW): in this case the loan application processing can go on, but requires more exhaustive information and closer examination but still within an ordinary decision-making process;
- File "to be rejected" (RED): a loan application that is usually to be rejected. Only in "exceptional" cases – and having exhaustive additional information that shows such suitable good elements as to lead to a favourable creditworthiness selective assessment – the Proposal may be submitted to a Higher Decision-Making Body (at least the Head of the Retail Banking Area), still within an ordinary decision-making process and in accordance with the lending decision-making powers and responsibilities in force. Only the riskiest cases are submitted to the central Decision-making Bodies; these cases are mainly identified based on debt affordability, i.e. the ratio of loan instalment to the Customer's income. These transactions are closely and constantly monitored by the Group.

Within the Lending Policies for Customers in the Individuals sub-segment, the general principles have been set and apply to loan application processing and loan authorization for each single product; these principles translate into parameters to be taken into account and to be complied with in all lending operations, namely: the definition of monthly net income, financial commitments, debt affordability, a given minimum subsistence income, the ratio of loan instalment to income, the maximum age of applicants and third party guarantors. Moreover, the centrality of loan to value and of the instalment/income ratio was reasserted, as discriminating factors to assess mortgage loan applications.

Moreover, the Lending Policies for the Customers in the Individuals sub-segment associate each product to different objectives, features and contents, which are deemed suitable to foster a balanced growth of Loans to the worthiest Customers and to mitigate credit risk in lending to the riskiest Customers, with specific reference to setting the duration of the transaction, maximum amount of the loan and acquisitions of guarantees.

The Lending Policies for the Customers in the Individuals sub-segment cover the types of products listed below: Mortgage loans, credit lines on current accounts, Personal Loans, Consumer Loans and other unsecured loans, mortgage current accounts, signature loans, products for international transactions, derivatives, credit cards.

Lending processes

In the present economic scenario, in order to ensure protection of the overall quality of the Loan Portfolio and control of the cost for its management, risk exposures must be promptly and effectively monitored and proactively managed as soon as upon early warnings. Based on the above requirements, in 2016, the review of the lending model, which was started in 2014, was completed and consolidated, in order to optimize the performances and abilities to manage Non-performing Loans, by implementing actions in the macro-scopes set forth below:

- Even further separation of responsibilities in the lending chains, between the Loan Authorization chain on the one hand and the Loan Management and Protection chain on the other (the latter being responsible for the management of all categories of non-performing loans, except for bad debts);

- Consolidation of operating responsibilities and perimeter of action of the Special Loan chain;
- Full operation of the Credit Intelligence controls;
- Strengthening of the internal controls system by reviewing the portfolio with a specific focus on Early Warnings and Non-performing loans.

Based on the above, the contents of the "*Lending Regulations*" have been aligned to the changes that were made to the Credit organizational structure and the relevant operating processes for lending management.

The rules governing the authorization of Ordinary Loans to applicants provide for their classification into:
- A structure based on counterparty risk level, resulting from the Customer's rating and the relevant authorization decision-making levels;
- Decision-making powers that are scaled up as the Customer riskiness increases.

The integrated review of the new Regulation on Performing Loans stands out because of its general principles that are based on prudent management of lending, consistently with the objective of a balanced growth of loans to the worthiest Customers and of control and/or recovery of the exposures to the riskiest Customers, by optimizing the loan authorization process.

The review of the new Regulation and Process on Non-performing Loans is based on the general principles given below:
- Having a streamlined and standardized process that is fit to ensure strong involvement and responsibility-taking of the various roles concerned, starting from the Account Manager and to clearly identify the actions to be implemented and the respective responsibility profiles;
- Ensuring timely detection and management of any risky positions in the Loan Portfolio;
- Implementing a single procedure that steers the process, schedules the relevant activities and ensures their control, in order to mitigate operational risks, to improve efficiency and to maximize timeliness of action;
- Pursuing efficiency through mainly automated action plans that are accurately set in accordance with the risk characteristics (isotype) of every single position.

Non-performing loans are all loans showing problems, even potential ones, which – where not promptly and fully solved – could lead to the worsening of the quality of the risks taken by the Bank. The tool used to identify the positions falling within this category is the Performance Monitoring Indicator (the so-called PMI, or with the Italian acronym IMA).

The PMI has been defined by the Risk Management and Permanent Controls Department, in cooperation with the Credit Department, and is the indicator triggering the monitoring and management of positions that show early warnings or are Non-performing; this indicator has 5 colours, representing 5 levels of early warning, with risk decreasing levels, to which a creditworthiness status is associated:

BLUE	= HIGH risk	(Non-performing loans)
RED	= MEDIUM risk	(Non-performing loans)
ORANGE	= LOW risk	(Performing Loans)
YELLOW	= LOW risk	(Performing Loans)
GREEN	= LOW risk	(Performing Loans)

In the first half of 2016, the review of the PMI (IMA) calculation engine was completed. Thanks to this review, the indicator was updated and made more efficient and more effective, also based on the experience gained when using the previous version. The IMA early warning model has a modular structure that, starting from a summary early warning indicator, integrates the Performance Rating data and the expected loss grade.

For every type of loan, specific responsibilities have been determined in terms of both authorization and management.

The main changes implemented in 2015 and consolidated in 2016 to the loan authorization and management processes were:

- The merging into a single document of the Lending Regulation for the 3 Banks of the Group;
- Strengthening and streamlining thanks to a single central Lending Chain responsible for all accounts within a single Legal-Economic Group: in order to ensure single direction and timeliness of the management of accounts referring to a single Legal-Economic Group, the prevalence principle applies (amount of the loans to at least one of the counterparties > 50% of the total amount lent to the Group or, where this is not the case, the most part of the exposure) – exclusively referring to Performing and Early Warning positions – in order to identify a single central reference lending chain, for all counterparties belonging to the Group, having loan authorization powers and management responsibilities, in accordance with the decision-making powers in force at the relevant time;
- Full separation of responsibilities in the lending chains, between the Loan Authorization chain on the one hand and the Loan Management and Protection chain on the other (the latter being responsible for the management of all categories of early warnings and non-performing loans, except for bad debts);
- Selective review of decision-making powers, which, without prejudice to the prudential criteria adopted by our Banking Group, has determined an increase in the lending powers delegated and to be applied to the best Customers, with no change in the centralization of decision-making powers for riskier counterparties;
- Streamlining and strengthening of the Process for the management of Early Warnings and Non-performing exposures with full implementation in the Management Electronic Process (Italian acronym PEG)

  – which was implemented in August 2014 – of the prioritization of actions, as required also by the developments in the reference regulatory framework (Forbearance) and by further development in the internal management processes and strategies, in a top down order based on the severity of the warnings detected;
- Full operation of the Credit Intelligence controls;

These changes resulted in:

a) The streamlining and optimization of the process for the management of Process for the Management of Early Warnings, Non-performing exposures, through:
   - Full separation between the Loan Authorization Chain and the Loan Management and Protection Chain (the latter being responsible for the management of both early warnings and non-performing loans, before they enter the bad debt status, in the perimeter that does fall within the responsibility of the Special Loan Division);
   - Significant streamlining and optimization of the number of the Active Monitoring Statuses, as a tool to identify the position within the perimeter of non-performing exposures to be subject to special monitoring over time;

b) The possibility to display and consult, quickly and in a bottom-up mode, from the Account Manager in charge of the position to the central validation Bodies, all positions to be managed for their recovery and/or collection, and the possibility to consult, in a single workflow, all management information as required;

c) The possibility to guide and steer the Account Manager in the actions to be implemented, with a precise action plan, set by the Procedure for every position, supporting the Account Manager also in identifying any alternative actions, to be scaled up for validation to the higher validation Body, automatically set forth by the PEG;

d) Important support in the management of positions, while enhancing the responsibility of the Account Manager and of the higher validation Bodies, for carrying out and certifying the actions planned, in full compliance with the set timeframe;

e) Maximization of action effectiveness while reducing the relevant timeframe, relying on the prevailing full validation of the action plans proposed by the procedure, especially for cases where the process can be subject to automated management;
f) Effective monitoring of outcomes and compliance with the set timeframe, of the implemented actions, with the possibility of aggregate displaying both for the Channel area coordination structures and for the central credit functions.

The range of strategies and action plans that the PEG automatically proposes was exhaustively reviewed in 2016, also in order to achieve further consistency with the managed positions.

The monitoring process implemented by the Crédit Agricole Italia Banking Group is continuous, in order to promptly detect any early warnings and, therefore, to maintain a high quality of the loan portfolio; the management of problem loans is dealt with by dedicated structures, both central and peripheral, which were suitably strengthened in the year.

In order to effectively and timely manage positions showing early warnings and, thus, to reduce credit risk, the Crédit Agricole Italia Banking Group had to fully review the process for the “Collection of Loans having non-significant amounts”, reviewing the procedures for the assignment of the exposures to be collected to external collection Companies and the relevant management.

The operation of the implemented management processes is summarized below.

The loan authorization process in force uses methods based on Rating systems and sets the lending decision-making powers based on the Probability of Default assigned to the counterparty and reassessed at least once a year. Therefore:

- It is compliant with the provisions issued by the Supervisory Body, according to which the processes for loan authorization and counterparty creditworthiness assessment shall use the tools set down for the determination of the economic capital;
- It allows lending decision-making powers to be fine-tuned in accordance with the Customers’ riskiness and, therefore, their extension for creditworthy counterparties and their scaling up for weaker ones, triggering, where required, the appropriate mitigation actions. They are differentiated based upon “Decision-making classes” set by the combining the parameters of Probability of Default assigned to the customers and the riskiness of the technical forms based on the presence or absence of certain and enforceable guarantees. For every decision-making class, a maximum limit to the authorized loan has been set.

The loan authorization process is managed by the Company Information System, within the scope of the dedicated specific procedures (“Electronic Loan Application procedure – PEF”).

After the first loan has been authorized and disbursed, i.e. after the beginning of the credit relation, the position is periodically reviewed, at regular intervals or in response to an alert from/ initiative of dedicated structures, both peripheral and central, for the following purposes:

- Verifying that the borrower and the relevant guarantors, where any, remain solvent;
- Verifying that the requirements of the guarantees remain complied with (legal certainty, prompt realization and value consistency with the exposure).
- Verifying that concentration limits are complied with;
- Verifying the information on which the counterparty’s risk rating is based on and possible changes over time.

The review process described above shall lead to confirming, increasing or decreasing the loans granted or to their revocation in compliance with the contract provisions and/or to increasing the guarantees securing the exposure. There are cases in which the loan review is carried out automatically with the support of an “expert system” applied to positions with low and ascertained risk profiles, by thoroughly examining appropriate and preset indicators.

In order to improve the quality of loan-authorization and loan-review processes, in 2016 the “Expert System” was extended to all Business Accounts. This tool supports the account manager in the loan application processing, automatically generates a commentary on the quality of financial statements and suggests further analyses, in order to support the manager for thorough and complete understanding of the enterprise’s financial position and to provide him/her with support for meetings with the Enterprise representatives.

The implemented process for the monitoring and management of non-performing loans also uses methods based on rating systems. Customers are subdivided based on their risk profile that is rated monthly using the prescribed tools (performance rating) and combining the parameters of internal rating models (Probability of Default) and other indicators that can be immediately detected and useful to notice a sudden down-grading of counterparty risk, as well as a procedure (“Management Electronic Procedure” – Italian acronym PEG) that has been designed to steer the process. Moreover, this monitoring process is fit to ensure that actual risk warnings can be more accurately distinguished from “false alarms” and practical and prompt action lines are set, by which:

- The counterparties showing early warnings due to temporary difficulties 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.

In 2016, the processes for the management of positions classified as Unlikely to Pay benefited from the evolutionary implementations on the EPC platform, which have transformed it from a mainly accounting tool to a procedure that is fully integrated in the information system, allowing the dossier management from inception, both by the Network and by the Central Structures.

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 Crédit Agricole Italia Banking 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 function 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.

In 2014, the Model Development Service issued 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 of the Group. This Policy, which was updated in 2015 and approved by the Board of Directors of the Parent Company, gives the "guidelines" for the development and maintenance of the internal measurement of risks, valid for all the entities in the Crédit Agricole Italia Banking Group and describes the processes through which the Model Development Service periodically assesses/updates the internal systems for the measurement of Basel first and second Pillar risks.

Moreover, all the internal models used by the Crédit Agricole Italia Banking Group are submitted for approval to the "*Comité Normes et Méthodes*" of the Parent Company Crédit Agricole S.A., are internally validated by Crédit Agricole Cariparma 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 2016 the Model Development Service worked on the main projects listed below:
- The contribution to the calculation of the EBA stress test on the Crédit Agricole Group. This exercise aimed at assessing the resilience of the entire Crédit Agricole Group up to 2018 under a baseline and adverse scenario. This project, which was carried out in coordination with the French Parent Company, involved various operating and management units of the Crédit Agricole Italia Banking Group for the most of the first half of 2016.
- Full operation of the new performance monitoring indicator (Italian acronym IMA, which was developed in 2015) in order to improve the efficiency of the process to detect any signs of problems, also potential ones, which could cause the worsening of the quality of the risks taken by the Bank.
- The updating of the internal rating models and LGD models for the Retail portfolio, which is still underway, in order to upgrade the measurement of Basel parameters to the changed and latest macroeconomic conditions and to streamline and optimize the operation of the existing models.
- The updating of the risk measurement systems for the Corporate portfolio, which is still underway, based on the methods and tools provided by the Parent Company Crédit Agricole S.A.

In 2017, the main projects will concern:
- The completion of the estimates of the rating and LGD models for the Retail portfolio and the submission to the European Regulator of the application for the re-validation of their use to calculate capital requirements.
- Full operation of the new system of the Parent Company for the Corporate portfolio, in preparation for extending the use of advanced approaches also to this Customer portfolio.
- The development of approaches and tools to calculate collective write-down consistently with IFRS 9. This activity is being carried out in close coordination with the Parent Company Crédit Agricole S.A.

Cost of credit

In the present economic situation showing some signs of recovery, the Crédit Agricole Italia Banking Group has 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, from early warnings on, in order to promptly detect any sign of their being non-performing and to take effective action to control the cost of credit.

The actions reported above have succeeded in reversing the growing trend of both the cost of credit and of the amount of the stock of non-performing loans, as experienced in previous years.

The Group's long-standing policy was confirmed, which provides for prudential provisioning for non-performing exposures (NPE).

Stress test

Within the management and control of credit risk, on a yearly basis, strategies are defined to act on overall exposures to sectors, products or types of customers that have been identified as belonging to sectors that are not fully in line with the corporate objectives in terms of risk control. The performance of the perimeters thus identified is monitored on a quarterly basis.

Within the ICAAP process, the stress test analyses on credit risk were carried out with a factorial model that links the endogenous variables (adjusted bad debt flow) to the macroeconomic variables that have proven to have higher explanatory power and allow the estimated effects to be transferred to the portfolio PDs. Based on forecast scenarios (baseline and stress, historical or worst case), as defined by the user functions or by international forecasters, the PD are estimated as impacted by the above scenarios, broken down by geographical-sector clusters of customers.

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.

In 2016, the ordinary stress testing activity carried out by the Group was extended to the budget and MTP stress exercise (*Stress Test Budgetaire*) requested by Crédit Agricole S.A. 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 variables. Moreover, as reported in the section on projects, the outcomes of the stress test exercise are taken into account within the definition and management of the Risk Appetite Framework.

Moreover, in 2016, the Crédit Agricole Italia Banking Group contributed to the Regulatory Stress Test exercise that, under the EBA's direction, involved approximately 70% of the European Banking Sector, i.e. 53 banks, of which 39 subject to the Single Supervisory Mechanism (SSM), including the Crédit Agricole Group;

The main evidence at Group level obtained with such exercise were published within the comprehensive assessment.

The objective of this exercise was to verify the resilience of the European Banking Sector in adverse macroeconomic scenarios, based on a common assessment framework able to allow comparison of institutions that, otherwise, would not have been directly comparable; it allowed a forward-looking assessment of the scenario impacts on the income statement main variables.

This exercise was coordinated by the Parent Company Crédit Agricole SA and required the involvement of the various entities in the international group on specific scopes. Specifically, the Crédit Agricole Italia Banking Group was asked its contribution to determine the credit risk component and the net interest income component. To carry out these activities, as for the ICAAP and for the *Budgetaire* exercise, the methods and tools developed within the Group were used.

Credit risk mitigation techniques

The Group pursues the mitigation of credit risk by entering into ancillary agreements or by adopting other and specific tools and techniques designed to mitigate this risk. In this regard, collection and management of guarantees is focused on within a control process and system which provide for the identification of specific Responsibilities in order to verify and ensure compliance with the legal requirements and the update of the underlying values. The outcome of control activities are subject to reporting.

In compliance with the recent developments in the regulatory framework, the policies and processes to measure the value of real estate property used as collateral for exposures were reviewed; they are homogeneous at Group level and were confirmed based on very conservative criteria.

Non-performing financial assets

The process to monitor performance allows the procedures for the management and control of the loan portfolio to be triggered; the organizational logic of these procedures is based on the following principles:

- the use of probability of default and of a number of management indicators differentiated by segment and type of Customers to support decision-making activities;
- the diversification of processes depending on the Customer's level of risk.

Monitoring procedures and systems have been further enhanced in order to allow:

- Overlimit positions to be identified in their very early days, in order for the relevant Corporate Departments, Divisions and Services to define and implement the required management remedial actions, where possible;
- The analysis of the files showing statistical real estate revaluations with significant changes compared with the previous values.

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;
- acquiring additional guarantees, whether collaterals and/or personal guarantees, or other credit risk mitigation tools and techniques;
- scheduling and monitoring loan workout plans agreed with Customers;
- enforcement and/or court-ordered acquisition of guarantees for enforced recovery of exposures.

QUANTITATIVE DISCLOSURES

A. CREDIT QUALITY

A.1 Performing and Non-performing exposures: amounts, value adjustments, changes, breakdown by economic sector and geographical area

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

	Bad debts	Unlikely–to-pay	Non-performing past due exposures	Other non-performing exposures	Performing exposures	Total
1. Financial assets available for sale	1	–	–	–	5,183,912	5,183,913
2. Investments held to maturity	–	–	–	–	–	–
3. Loans to banks	1	–	–	–	4,383,985	4,383,986
4. Loans to Customers	1,228,420	1,602,381	74,106	926,110	34,378,262	38,209,279
5. Financial assets designated at fair value	–	–	–	–	–	–
6. Financial assets being divested	–	–	–	–	–	–
Total 31.12.2016	**1,228,422**	**1,602,381**	**74,106**	**926,110**	**43,946,159**	**47,777,178**
Total 31.12.2015	**1,165,104**	**1,814,603**	**90,812**	**1,535,962**	**40,304,772**	**44,911,253**

All financial assets are classified by credit quality with the exception of equity securities and units of collective investment undertakings. Loans to Banks and loans to Customers include both loans and other technical forms (securities, etc.).

Performing financial assets: analysis of age of past due positions

	Net exposure
1. Non past-due exposures	34,378,261
2. Up to 90 days	732,876
3. From 91 to 180 days	70,541
4. From 181 days to 1 year	72,933
5. More than 1 year	49,761
Total 31.12.2016	**35,304,372**

A.1.2 Breakdown of exposures by portfolio and credit quality (gross and net values)

Portfolio/quality	Non-performing exposures			Performing exposures			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets available for sale	1	–	1	5,183,912	–	5,183,912	5,183,913
2. Investments held to maturity	–	–	–	–	–	–	–
3. Loans to banks	1	–	1	4,383,985	–	4,383,985	4,383,986
4. Loans to Customers	5,024,182	2,119,275	2,904,907	35,484,623	180,251	35,304,372	38,209,279
5. Financial assets designated at fair value	–	–	–	X	X	–	–
6. Financial assets being divested	–	–	–	–	–	–	–
Total 31.12.2016	**5,024,184**	**2,119,275**	**2,904,909**	**45,052,520**	**180,251**	**44,872,269**	**47,777,178**
Total 31.12.2015	**5,160,253**	**2,089,734**	**3,070,519**	**42,048,044**	**207,310**	**41,840,734**	**44,911,253**

All financial assets are classified by credit quality with the exception of equity securities and net units of collective investment undertakings.

Portfolio/quality	Assets with clearly poor credit quality		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	1,457	2,318	89,419
2. Hedging derivatives	–	–	749,490
Total 31.12.2016	**1,457**	**2,318**	**838,909**
Total 31.12.2015	**3,011**	**13,129**	**787,252**

A.1.3 Banking Group – On-balance-sheet and off-balance-sheet exposures to banks: gross and net values and past due ranges

Type of exposures/Values	Gross exposure					Specific value adjustments	Portfolio value adjustments	Net exposure
	Non-performing exposures				Performing exposures			
	Up to three months	From over 3 months to 6 months	From over 6 months to 1 year	Over 1 year				
A. ON-bALANCE SHEET EXPOSURES								
a) Bad debts	–	–	–	–	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	X	X	–	X	–	–
– of which: forborne exposures	*X*	*X*	*X*	*X*	–	*X*	–	–
e) Other performing exposures	X	X	X	X	4,383,975	X	–	4,383,975
– of which: forborne exposures	*X*	*X*	*X*	*X*	–	*X*	–	–
TOTAL A	–	–	–	–	**4,383,975**	–	–	**4,383,975**
B. OFF-bALANCE SHEET EXPOSURES								
a) Non-performing	–	–	–	–	X	–	X	–
b) Performing	X	X	X	X	1,035,269	X	–	1,035,269
TOTAL B	–	–	–	–	**1,035,269**	–	–	**1,035,269**
TOTAL A+B	–	–	–	–	**5,419,244**	–	–	**5,419,244**

On-balance sheet exposures summarize all financial assets within business with banks as recognized in items 20 “Financial Assets held for trading”, 40 “Financial assets available for sale” and 60 “Loans to Banks”, except for derivatives that, in this section, are considered off-balance-sheet.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees issued, commitments, derivatives, including hedging derivatives) for which credit risk is taken.

Banking Group – On-balance-sheet and off-balance-sheet exposures to customers: gross and net values and past due ranges

Type of exposures/Values	Gross exposure					Specific value adjustments	Portfolio value adjustments	Net exposure
	Non-performing exposures				Performing exposures			
	Up to three months	From over 3 months to 6 months	From over 6 months to 1 year	Over 1 year				
A. ON-bALANCE SHEET EXPOSURES								
a) Bad debts	184	–	–	2,919,349	X	1,691,113	X	1,228,420
– of which: forborne exposures	–	–	–	*522,007*	*X*	*289,772*	*X*	*232,235*
b) Unlikely to Pay	760,975	62,579	182,675	1,016,363	X	420,211	X	1,602,381
– of which: forborne exposures	*690,167*	*43,784*	*107,173*	*615,938*	*X*	*281,585*	*X*	*1,175,477*
c) Non-performing past due exposures	4,423	26,477	31,633	19,524	X	7,951	X	74,106
– of which: forborne exposures	*463*	*9,927*	*11,574*	*7,562*	*X*	*1,961*	*X*	*27,565*
d) Performing past due exposures	X	X	X	X	932,610	X	6,499	926,111
– of which: forborne exposures	*X*	*X*	*X*	*X*	*222,297*	*X*	*2,268*	*220,029*
e) Other performing exposures	X	X	X	X	39,735,931	X	173,752	39,562,179
– of which: forborne exposures	*X*	*X*	*X*	*X*	*799,739*	*X*	*6,310*	*793,428*
TOTAL A	**765,582**	**89,056**	**214,308**	**3,955,236**	**40,668,541**	**2,119,275**	**180,251**	**43,393,197**
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	31,908	–	–	–	X	5,839	X	26,069
b) Performing	X	X	X	X	1,867,303	X	1,728	1,865,575
TOTAL B	**31,908**	**–**	**–**	**–**	**1,867,303**	**5,839**	**1,728**	**1,891,644**
TOTAL A+B	**797,490**	**89,056**	**214,308**	**3,955,236**	**42,535,844**	**2,125,114**	**181,979**	**45,284,841**

Specifically, on-balance sheet exposures summarize all financial assets within business with customers as recognized in items 20 “Financial Assets held for trading”, 40 “Financial assets available for sale” and 70 “Loans to Customers”, except for derivatives that, in this section, are considered off-balance-sheet.

Net non-performing forborne exposures that, in the “cure period” do not have any past due falling within the “Up to 3 months” past due range, came to Euro 493,743 thousand.

A.1.7 Banking Group – On-balance-sheet exposures to Customers: changes in gross non-performing exposures

Reasons/categories	Bad debts	Unlikely-to-Pay	Non-performing past due exposures
A. Opening gross exposure	**2,735,457**	**2,321,933**	**97,087**
– of which: sold exposures not derecognized	–	–	–
B. Increases	**523,181**	**475,587**	**75,751**
B.1 from performing loans	46,972	340,752	66,291
B.2 transfers from other categories of non-performing exposures	452,852	59,825	4,253
B.3 other increases	23,357	75,010	5,207
C. Decreases	**339,105**	**774,928**	**90,781**
C.1 to performing loans	4,246	138,079	13,769
C.2 writeoffs	193,327	27,099	3,838
C.3 collections	92,792	155,967	11,244
C.4 realization on disposals	22,868	–	–
B.2 losses on disposals	19,438	–	–
C.6 transfers to other categories of non-performing exposures	3,889	451,319	61,722
C.7 other decreases	2,545	2,464	208
D. Closing gross exposure	**2,919,533**	**2,022,592**	**82,057**
– of which: sold exposures not derecognized	–	–	–

A.1.7bis Banking Group – On-balance-sheet exposures to Customers: changes in gross forborne exposures broken down by credit quality

Reasons/categories	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure	**1,961,911**	**1,018,102**
– of which: sold exposures not derecognized	–	–
B. Increases	**437,226**	**610,143**
B.1 from non-forborne performing exposures	90,690	418,079
B.1 from forborne performing exposures	133,599	16,046
B.3 from forborne non-performing exposures	16,977	108,963
B.4 other increases	195,960	67,055
C. Decreases	**390,542**	**606,208**
B.1 to non-forborne performing exposures	3,246	321,943
C.2 to forborne performing exposures	125,009	–
B.3 to forborne non-performing exposures	14,592	133,687
C.3 derecognition	30,227	138
C.5 collections	100,594	124,262
C.6 realization on disposals	4,695	–
C.7 losses on disposals	5,390	–
C.8 other decreases	106,789	26,178
D. Closing gross exposure	**2,008,595**	**1,022,037**
– of which: sold exposures not derecognized	–	–

A.1.8 Banking Group – On-balance sheet exposures to Customers: changes in total value adjustments

Reasons/categories	Bad debts		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	**1,576,129**	**238,839**	**507,330**	**265,269**	**6,275**	**1,953**
– of which: sold exposures not derecognized	–	–	–	–	–	–
B. Increases	**409,905**	**81,629**	**183,290**	**105,101**	**11,058**	**4,205**
C.2 value adjustments	215,379	42,543	145,225	86,291	7,159	2,651
B.2 losses on disposals	19,438	5,390	–	–	–	–
B.3 transfers from other categories of non-performing exposures	156,605	16,293	7,399	4,575	2,510	1,390
B.4 other increases	18,483	17,403	30,666	14,235	1,389	164
C. Decreases	**294,921**	**30,696**	**270,409**	**88,785**	**9,382**	**4,197**
C.1 writebacks from valuations	46,537	8,550	52,579	33,036	821	137
C.2 writebacks from collections	10,482	610	12,552	1,602	240	32
C.3 gains on disposal	3,084	477	–	–	–	–
C.3 derecognition	190,830	10,735	26,826	15,447	3,774	2,429
C.5 transfers to other categories of non-performing exposures	3,388	3,179	158,813	31,344	4,313	1,540
C.6 other decreases	40,600	7,145	19,639	7,356	234	59
D. Total closing adjustments	**1,691,113**	**289,772**	**420,211**	**281,585**	**7,951**	**1,961**
– of which: sold exposures not derecognized	–	–	–	–	–	–

A.2 Classification of exposures based on external and internal ratings

A.2.1 Banking Group – Breakdown of on-balance-sheet and off-balance-sheet exposures by external rating grades

Exposures	External rating grades						Without rating	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6		
A. On-balance-sheet exposures	16,642	6,058,300	1,771,870	2,739,433	117,458	29,279	37,044,190	47,777,172
B. Derivatives	–	8,996	7,586	20,492	271	23	760,243	797,611
B.1 Financial Derivatives	–	8,996	7,586	20,492	271	23	760,243	797,611
B. Credit Derivatives	–	–	–	–	–	–	–	–
C. Guarantees issued	439	536,359	315,792	334,220	14,426	3,853	670,516	1,875,605
D. Commitments to disburse funds	–	21,771	4,224	16,220	32	68	211,382	253,697
E. Other	–	–	–	–	–	–	–	–
Total	**17,081**	**6,625,426**	**2,099,472**	**3,110,365**	**132,187**	**33,223**	**38,686,331**	**50,704,085**

The above breakdown by rating grade refers to measurements made by Cerved Group S.p.A. and DBRS (which are ECAI – External Credit Assessment Institutions – recognized by the Bank of Italy and used for Corporate Customers and exposures to Banks, respectively).

The “without rating” column reports exposures with counterparties for which ratings given by the two ECAIs are not available, and the relevant key is given in the table below:

Credit rating grade	ECAI – Lince by Cerved Group	DBRS
Grade 1		from AAA to AAL
Grade 2	from A1.1 to A3.1	from AH to AL
Grade 3	B1.1	from BBBH to BBBL
Grade 4	from B1.2 to 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 Banking Group – Breakdown of on-balance-sheet and off-balance-sheet exposures by internal rating grades

Exposures	Internal rating grades				Without rating	Total
	from AAA to BBB+	from BBB to BBB–	from BB+ to B	from B– to D		
A. On-balance-sheet exposures	7,508,736	12,322,321	7,347,068	4,670,303	15,928,744	47,777,172
B. Derivatives	4,536	28,698	20,247	6,069	738,061	797,611
B.1 Financial Derivatives	4,536	28,698	20,247	6,069	738,061	797,611
B.2 Credit derivatives	–	–	–	–	–	–
C. Guarantees issued	413,688	646,836	294,330	80,843	439,908	1,875,605
D. Commitments to disburse funds	–	152	2	–	253,543	253,697
E. Other	–	–	–	–	–	–
Total	7,926,960	12,998,007	7,661,647	4,757,215	17,360,256	50,704,085

The breakdown by rating grade given below refers to the internal models of the Crédit Agricole Italia Banking Group, used for Retail and Corporate Customers. The “Without rating” column mainly shows exposures to Banks, public entities and Sovereign States, for which internal rating models are not available.

Excluding counterparties without rating, 63% of total counterparties falls within the Investment grades (from AAA to BBB-), whereas 23% falls within the BB+/B grades and 14% within the B-/D grades.

A.3 BREAKDOWN OF SECURED EXPOSURES BY TYPE OF GUARANTEE

A.3.1 Banking group – Secured exposures to Banks

	Net value of exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
						Credit derivatives					Signature loans				
		Real estate mortgage	Real estate – Finance leases	Securities	Other collaterals	CLN	Other derivatives				Governments and central banks	Other public entities	Banks	Other	
							Governments and central banks	Other public entities	Banks	Other					
1. Secured on-balance-sheet exposures:	**500,796**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**500,408**	**239**	**500,647**
1.1 fully secured	350,647	–	–	–	–	–	–	–	–	–	–	–	350,408	239	350,647
– of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1.2 partially secured	150,149	–	–	–	–	–	–	–	–	–	–	–	150,000	–	150,000
– of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Off-balance-sheet secured exposures:	**3,044**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,607**	**–**	**438**	**–**	**3,045**
2.1 fully secured	3,044	–	–	–	–	–	–	–	–	–	2,607	–	438	–	3,045
– of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2.2 partially secured	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

A.3.2 Banking group – Secured exposures to Customers Central Banks

	Net value of exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
						Credit derivatives					Signature loans				
		Real estate mortgage	Real estate – Finance leases	Securities	Other collaterals	CLN	Other derivatives				Governments and central banks	Other public entities	Banks	Other	
							Governments and central banks	Other public entities	Banks	Other					
1. Secured on-balance-sheet exposures:	**30,342,123**	**20,924,573**	**1,092,228**	**213,663**	**1,439,655**	**–**	**–**	**–**	**–**	**–**	**10,006**	**237,783**	**2,973,667**	**2,483,968**	**29,375,543**
1.1 fully secured	26,778,386	20,752,753	764,387	131,875	882,742	–	–	–	–	–	10,006	177,173	1,458,226	2,191,220	26,368,382
– of which non-performing	2,371,542	1,952,909	93,871	2,609	17,574	–	–	–	–	–	–	6,142	556	238,528	2,312,189
1.2 partially secured	3,563,737	171,820	327,841	81,788	556,913	–	–	–	–	–	–	60,610	1,515,441	292,748	3,007,161
– of which non-performing	243,886	44,364	73,545	737	17,423	–	–	–	–	–	–	1,542	2	41,460	179,073
2. Off-balance-sheet secured exposures:	**509,896**	**83,755**	**–**	**30,518**	**115,303**	**62**	**–**	**–**	**–**	**–**	**–**	**214**	**7,197**	**231,318**	**468,367**
2.1 fully secured	405,403	79,583	–	20,344	84,436	62	–	–	–	–	–	214	1,828	218,217	404,684
– of which non-performing	8,612	160	–	145	1,294	–	–	–	–	–	–	–	–	6,899	8,498
2.2 partially secured	104,493	4,172	–	10,174	30,867	–	–	–	–	–	–	–	5,369	13,101	63,683
– of which non-performing	2,166	–	–	27	1,201	–	–	–	–	–	–	–	–	289	1,517

On-balance-sheet exposures, totally or partially secured, include loans and other financial assets that are secured, with the exclusion of derivative contracts and equity securities. Off-balance-sheet transactions include financial transactions (guarantees issued, commitments, derivatives) entailing the assumption of credit risk. The value of exposures is net of uncertain outcomes and of portfolio adjustments.

In compliance with Bank of Italy Circular No. 262, 4th 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, unlike for previous years, in compliance with the above 4th update, both the above values may not be higher than the book value of secured exposures.

B. BREAKDOWN AND CONCENTRATION OF EXPOSURES

B.1 Banking Group – Breakdown by sector of on-balance-sheet and off-balance-sheet exposures to Customers (book value)

Exposures/ Counterparties	Governments			Other public entities			Financial companies			Insurance undertakings			Non-financial corporations			Other		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
A. On-balance-sheet exposures																		
A.1 Bad debts	1	-	X	-	1	X	2,257	14,275	X	-	24	X	909,529	1,447,444	X	316,633	229,369	X
– of which: forborne exposures			X			X	112	1,543	X			X	228,253	285,759	X	3,870	2,470	X
A.2 Unlikely to Pay	-	-	X	1	-	X	35,998	9,518	X	-	-	X	1,414,621	374,649	X	151,761	36,044	X
– of which: forborne exposures			X	-	-	X	30,723	8,726	X			X	1,066,028	260,806	X	78,726	12,053	X
A.3 Non-performing past-due exposures	-	-	X	-	-	X	39	14	X	-	-	X	60,348	6,468	X	13,719	1,469	X
– of which: forborne exposures			X			X			X			X	23,930	1,655	X	3,635	306	X
A.4 Performing exposures	5,217,166	X	-	238,379	X	1	3,685,953	X	4,170	232,018	X	-	15,545,665	X	86,326	15,569,104	X	89,754
– of which: forborne exposures		X		15,514	X		5,634	X	35		X		751,839	X	7,069	240,470	X	1,474
Total A	5,217,167	-	-	238,380	1	1	3,724,247	23,807	4,170	232,018	24	-	17,930,163	1,828,561	86,326	16,051,217	266,882	89,754
B. Off-balance-sheet exposures																		
B.1 Bad debts	-	-	X	-	-	X	409	25	X	-	-	X	7,427	1,414	X	32	16	X
B.2 Unlikely to Pay	-	-	X	-	-	X	-	-	X	-	-	X	17,637	4,160	X	206	92	X
B.3 Other non-performing exposures	-	-	X	-	-	X	-	-	X	-	-	X	347	128	X	11	4	X
B.4 Performing exposures	3,176	X	-	8,839	X	-	39,603	X	17	34,050	X	40	1,692,377	X	1,616	87,530	X	55
Total B	3,176	-	-	8,839	-	-	40,012	25	17	34,050	-	40	1,717,788	5,702	1,616	87,779	112	55
Total (A+B) 31.12.2016	5,220,343	-	-	247,219	1	1	3,764,259	23,832	4,187	266,068	24	40	19,647,951	1,834,263	87,942	16,138,996	266,994	89,809
Total (A+B) 31.12.2015	5,603,699	-	-	299,370	55	-	3,041,645	25,563	4,480	270,097	119	33	19,502,314	1,824,204	102,170	15,296,074	246,514	102,013

On-balance-sheet exposures include loans as well as financial assets, such as debt securities, with the exception of derivative contracts and equity securities.

Off-balance sheet transactions include all financial transactions.

Exposures associated to counterparty risk relating to transactions for lending or borrowing securities or goods are excluded.

B.2 Banking Group – Breakdown by geographical area of on-balance-sheet and off-balance-sheet exposures to Customers (book value)

Exposures/Geographical areas	North-western Italy		North-eastern Italy		Central Italy		Southern Italy and Islands	
	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 debts	501,533	678,968	533,426	688,813	111,257	170,897	80,616	145,207
A.2 Unlikely to Pay	515,198	148,853	763,916	175,036	251,978	62,172	68,515	32,897
A.3 Non-performing past-due exposures	23,589	2,648	25,439	2,364	17,413	1,672	7,646	1,264
A.4 Performing exposures	15,910,682	76,836	12,715,065	63,872	9,503,908	26,406	1,992,227	11,995
Total	**16,951,002**	**907,305**	**14,037,846**	**930,085**	**9,884,556**	**261,147**	**2,149,004**	**191,363**
B. Off-balance-sheet exposures								
B.1 Bad debts	1,649	243	5,626	1,192	545	20	48	–
B.2 Unlikely to Pay	3,113	781	14,389	3,121	313	313	28	37
B.3 Other non-performing exposures	254	99	69	23	31	9	4	1
B.4 Performing exposures	769,145	716	803,802	727	235,475	226	48,099	47
Total	**774,161**	**1,839**	**823,886**	**5,063**	**236,364**	**568**	**48,179**	**85**
Total (A+B) 31.12.2016	**17,725,163**	**909,144**	**14,861,732**	**935,148**	**10,120,920**	**261,715**	**2,197,183**	**191,448**
Total (A+B) 31.12.2015	**16,196,627**	**894,674**	**15,061,142**	**955,102**	**10,216,827**	**258,020**	**2,187,330**	**188,196**

B.3 Banking Group – Breakdown by geographical area of on-balance-sheet and off-balance-sheet exposures to Banks (book value)

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 debts	–	–	–	–	–	–	–	–	–	–
A.2 Unlikely to Pay	–	–	–	–	–	–	–	–	–	–
A.3 Non-performing past-due exposures	–	–	–	–	–	–	–	–	–	–
A.4 Performing exposures	966,160	–	3,381,519	–	16,959	–	10,847	–	8,490	–
Total A	**966,160**	**–**	**3,381,519**	**–**	**16,959**	**–**	**10,847**	**–**	**8,490**	**–**
B. Off-balance-sheet exposures										
B.1 Bad debts	–	–	–	–	–	–	–	–	–	–
B.2 Unlikely to Pay	–	–	–	–	–	–	–	–	–	–
B.3 Other non-performing exposures	–	–	–	–	–	–	–	–	–	–
B.4 Performing exposures	228,578	–	769,532	–	529	–	21,638	–	14,992	–
Total B	**228,578**	**–**	**769,532**	**–**	**529**	**–**	**21,638**	**–**	**14,992**	**–**
Total (A+B) 31.12.2016	**1,194,738**	**–**	**4,151,051**	**–**	**17,488**	**–**	**32,485**	**–**	**23,482**	**–**
Total (A+B) 31.12.2015	**1,209,870**	**–**	**2,736,582**	**–**	**18,556**	**–**	**45,035**	**–**	**30,923**	**–**

B.4 Large risks

As at 31 December 2016, positions showing large risk features as defined in Circular No. 258/2013 (as updated) were:

- of a total nominal amount of Euro 18,043,423 thousand;
- of a total weighted amount of Euro 1,164,973 thousand;
- a total number of 4.

C. SECURITIZATION

C.8 Banking Group – Activities as servicer – Collection of securitized loans and repayment of securities issued by the special-purpose entity incorporated for securitization

Servicer	Special-purpose entity	Asset-backed securities (closing figure)		Loans collected in the year		% share of repaid securities (closing figure)					
						Senior		Mezzanine		Junior	
		Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
Cariparma	MondoMutui Cariparma S.r.l. – securitization 1	30,403	1,683,906	29,742	305,568						
Cariparma	MondoMutui Cariparma S.r.l. – securitization 2	15,705	1,749,934	12,889	232,612						

C.9. Banking Group – subsidiary special-purpose entities

As at 31 December 2016, the Parent Company Crédit Agricole Cariparma was carrying out two so-called “internal” securitization transactions transferring receivables deriving from mortgage loans so called “*fondiari*” (real estate mortgage loans with duration of more than 18 months and ratio between the loan amount and the value of the collateral not higher than 80%) secured by first mortgage.

As at 31 December 2016, the residual debt of securitized mortgage loans amounted to Euro 3,480 million.

Following the transfer of mortgage loans, the Parent Company has subscribed all the securities issued by the special-purpose entity.

The “senior” tranche securities have been accepted for trading on the Luxembourg Stock Exchange (nominal value Euro 2,758 million).

The “junior” tranche is unrated and has a nominal value of Euro 843 million.

E. ASSET DISPOSALS

SOLD FINANCIAL ASSETS NOT FULLY DERECOGNIZED

QUALITATIVE DISCLOSURES

Sold financial assets not derecognized as at 31 December 2015 mainly consisted of securities relating to repurchase agreements.

Quantitative disclosures

E.1 Banking Group – Sold financial assets not derecognized: book value and full value

Technical forms/ Portfolio	Financial assets held for trading			Financial assets designated at fair value			Financial assets available for sale			Investments held to maturity			Loans to Banks			Loans to Customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31.12.2016	31.12.2015
A. On-balance-sheet assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	99
1. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	99
2. Equity securities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. Collective investment undertakings	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31.12.2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 31.12.2015	-	-	-	-	-	-	-	-	-	-	-	-	-	99	-	-	-	-	-	99
of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Key:
A = sold financial assets fully recognized (book value)
B = sold financial assets partially recognized (book value)
C = sold financial assets partially recognized (full value)

E.4 Banking Group – Covered bond transactions

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 Program, of which Crédit Agricole Cariparma holds 60%), operating as the "depositary of the mortgage loans used as collaterals". The Program requires 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.

In general, the transaction, in accordance with the relevant regulations, consisted in the following activities.

The Banks of the Crédit Agricole Italia Banking Group (Crédit Agricole Cariparma, Crédit Agricole FriulAdria and Crédit Agricole Carispezia) 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 to the benefit of other parties in favour of whom 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 Cariparma issues the Covered Bonds and the Special-Purpose Entity issues collateral in favour of the holders of the covered bonds.

As a consequence, the repayment of the Covered Bonds that have been issued within the transaction 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, this transaction allowed the covered bonds to be placed with external investors.

This transaction, 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 Cariparma 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 October 2016, the Parent Company made a new issue on the Covered Bond market, in a dual-tranche format. This new issue received a favourable feedback from institutional investors and bonds were successfully placed for an amount of Euro 1.5 billion, thus allowing funding to be further stabilized at modest costs. This was the first issue of Covered Bonds with 15-year maturity in Italy.

On 14 March 2017, Crédit Agricole Cariparma launched the first 2017 Italian Covered Bond transaction. The outcome of this transaction, which was proposed to market for a total value of Euro 1.5 billion and in a dual-tranche format, has confirmed investors' good opinion of our Group (orders for Euro 2.8 billion), in the Covered Bond market that is proving slow and very selective.

Both securities are expected to be assigned an Aa2 rating by Moody's.

The disposal pool

The loan pool that, each time, is transferred to the Special-purpose entity must have some common features.

In May 2013, June 2016 and February 2016, accounts receivable based on mortgage loans contracts were selected, which, as at their respective transfer date, had, by way of an example and not limited to, the following common features:

- Credit claims based on mortgage loans contracts:
  - Which are home 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 authorized or purchased by the Crédit Agricole Italia Banking Group;
  - Which are performing with no instalments past due for over 30 days from the set due date;
  - 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 time 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.

Upon the first disposal, made by signing, on 20 May 2013, a specific loan sale master agreement, the Banks in the Crédit Agricole Italia Banking Group transferred an initial pool to Crédit Agricole OBG S.r.l. for a total principal amount of approximately Euro 3.2 billion (the "Initial Pool", of which Euro 1.9 billion transferred by Crédit Agricole Cariparma, Euro 1.0 billion by Crédit Agricole FriulAdria and Euro 0.3 billion by Crédit Agricole Carispezia).

Upon the second disposal, made on 20 June 2015, the Banks of the Crédit Agricole Italia Banking Group transferred a second pool to Crédit Agricole OBG S.r.l. for a total principal amount of approximately Euro 2.3 billion (the "Second Pool", of which Euro 1.5 billion transferred by Crédit Agricole Cariparma, Euro 0.4 billion by Crédit Agricole FriulAdria and Euro 0.4 billion by Crédit Agricole Carispezia).

Upon the third disposal, made on 23 February 2016, the Banks of the Crédit Agricole Italia Banking Group transferred a third pool to Crédit Agricole Italia OBG S.r.l. for a total principal amount of approximately Euro 1.0 billion (the "Third Pool", of which Euro 0.7 billion transferred by Crédit Agricole Cariparma, Euro 0.1 billion transferred by Crédit Agricole FriulAdria and Euro 0.2 billion by Crédit Agricole Carispezia).

As at 31 December 2016, the Cover Pool consisted of credit claims resulting from 56,750 mortgage loans, with a total residual debt of approximately Euro 4.8 billion (Euro 3.1 billion transferred by Crédit Agricole Cariparma, Euro 1.1 billion by Crédit Agricole FriulAdria and Euro 0.6 billion by Crédit Agricole Carispezia).

In February 2017, other loan pools were transferred by the Originators to Crédit Agricole Italia OBG for a total nominal value of Euro 1,982,993 thousand, and the relevant price was paid by netting with other subordinated loans.

1.2 BANKING GROUP – MARKET RISKS

1.2.1 Interest rate risk and price risk – Supervisory Trading Book

QUALITATIVE DISCLOSURES

General aspects

The Crédit Agricole Italia Banking Group does not engage in significant proprietary trading on financial and capital markets. Moreover, being controlled by the Crédit Agricole S.A. Group, the Crédit Agricole Italia Banking Group is subject to the Volcker Rule and to the "*Loi francaise de séparation et de régulation des activitès bancaires*" (LBF), which prohibit any banking entity from engaging in proprietary speculative trading with Customers.

Therefore, trading is essentially instrumental, since the Group takes only residual financial risk positions on behalf of Customers, based on the concept of intermediation.

The trading book of the Crédit Agricole Italia Banking Group consists of over-the-counter derivatives (matched trading) and bonds (to a residual extent). In its capacity as the Parent Company, Crédit Agricole Cariparma coordinates the interest rate risk and price risk profiles of the Group's trading book, centrally managing financial operations, as well as risk assessment and control activities.

The control of market risk implemented on the trading book ensures that a risk level consistent with the Group's objectives is continuously maintained.

Given the exposure immateriality, capital absorption is reported in accordance with the standard approach.

Management and measurement of interest rate and price risks

Organisational aspects

The process for the management of market risks in the Group's trading book is governed by the relevant risk policy. This document sets down the internal regulatory system for the management of market risk with reference to operations in financial instruments, foreign currencies and commodities, in terms of:

- The principles, objectives, approaches and tools used for the measurement, control and management of market risks;
- 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 imple he process for market risk management, primary responsibility is assigned to corporate bodies/departments, according to their respective scopes, and they must be completely aware of the Bank's level of exposure: Specifically:

- The Board of Directors is tasked with strategic oversight and is therefore responsible for defining market risk governance policies and management processes;
- The Deputy General Manager, 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 market risk management;
- The Risk Management and Permanent Controls Department is responsible for 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 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 framework system for market risk regarding the trading book of 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. Such 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 so as to contain losses within a level deemed acceptable for the Crédit Agricole Group as a whole. Global limits on market risk are set based on the maximum mark-to-market variation vs. the initial value, are validated by the Crédit Agricole Group Risk Committee (CRG) and approved by the Board of Directors.

Operational limits are specifically adjusted for each Bank of the Group and are validated by each Bank's Board of Directors.

Operational limits are set based on the nominal value of the open position (that is after the clearing of identical purchase and sale positions). Therefore, operational limits are, consistently with global limits, adaptations of such global limits by type of asset, product, portfolio, and risk factors.

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 Risk Report, which is fed by automated daily reporting through an internal procedure. It is sent to the Group's Top Management (CFO), to the Departments engaged in market 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 risk reporting to the Group's Executive and Control collective Bodies (Risk Management Committee, Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are exceeded, there are significant changes in markets, significant losses, etc.), the Group triggers the alert procedure, reporting the event and a remedial action plant, as soon as possible, to the Top Management Bodies and to the *Direction Risques Groupe* of Crédit Agricole S.A.

The Risk Management and Permanent Controls Department also validates the approaches adopted for the pricing models for Over-The-Counter (OTC) derivatives hedging interest rate, exchange rate and commodity risks, if such derivatives are not traded on regulated markets. These instruments, which are bilaterally traded with market counterparties, are measured with specific pricing models that are fed with input parameters (such as interest rate, exchange rate and volatility curves) observed on the market and subject to monitoring processes.

Fair Value Option Book

In 2016, there were no active “fair value option” positions.

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)	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**–**	**–**	**2**	**–**	**1**	**–**	**2**	**–**
1.1 Debt securities	–	–	2	–	1	–	2	–
– with early repayment option	–	–	–	–	–	–	–	–
– other	–	–	2	–	1	–	2	–
1.2 Other assets	–	–	–	–	–	–	–	–
2. On-balance-sheet liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2.1 repurchase agreements for funding purposes	–	–	–	–	–	–	–	–
2.2 Other liabilities	–	–	–	–	–	–	–	–
3. Financial Derivatives	**271,696**	**3,123,009**	**1,431,215**	**729,122**	**2,905,750**	**699,311**	**96,781**	**–**
3.1 With underlying security	–	8,336	6,483	184	865	508	74	–
– Options	–	–	–	–	22	–	–	–
+ long positions	–	–	–	–	–	–	–	–
+ short positions	–	–	–	–	22	–	–	–
– Other derivatives	–	8,336	6,483	184	843	508	74	–
+ long positions	–	3,608	3,358	184	772	254	37	–
+ short positions	–	4,728	3,125	–	71	254	37	–
3.2 Without underlying security	271,696	3,114,673	1,424,732	728,938	2,904,885	698,803	96,707	–
– Options	34	1,557	3,606	16,793	122,948	79,997	10,909	–
+ long positions	18	778	1,803	8,398	61,474	39,998	5,454	–
+ short positions	16	779	1,803	8,395	61,474	39,999	5,455	–
– Other derivatives	271,662	3,113,116	1,421,126	712,145	2,781,937	618,806	85,798	–
+ long positions	135,831	1,556,426	711,295	355,646	1,391,640	309,153	42,899	–
+ short positions	135,831	1,556,690	709,831	356,499	1,390,297	309,653	42,899	–

Type/Residual maturity (Other currencies)	On demand	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
1.1 Debt securities	–	–	1	–	–	–	–	–
– with early repayment option	–	–	–	–	–	–	–	–
– other	–	–	1	–	–	–	–	–
1.2 Other assets	–	–	–	–	–	–	–	–
2. On-balance-sheet liabilities	–	–	–	–	–	–	–	–
2.1 repurchase agreements for funding purposes	–	–	–	–	–	–	–	–
2.2 Other liabilities	–	–	–	–	–	–	–	–
3. Financial Derivatives	–	182,446	118,827	59,321	1,248	91	–	–
3.1 With underlying security	–	240	–	62	82	91	–	–
– Options	–	–	–	–	–	–	–	–
+ long positions	–	–	–	–	–	–	–	–
+ short positions	–	–	–	–	–	–	–	–
– Other derivatives	–	240	–	62	82	91	–	–
+ long positions	–	151	–	31	41	15	–	–
+ short positions	–	89	–	31	41	76	–	–
3.2 Without underlying security	–	182,206	118,827	59,259	1,166	–	–	–
– Options	–	224	121	256	390	–	–	–
+ long positions	–	108	59	128	195	–	–	–
+ short positions	–	116	62	128	195	–	–	–
– Other derivatives	–	181,982	118,706	59,003	776	–	–	–
+ long positions	–	90,417	59,353	29,501	388	–	–	–
+ short positions	–	91,565	59,353	29,502	388	–	–	–

2. Supervisory Trading Book: breakdown of exposures in equity securities and equity indices by the main Countries of the listing market

Type of transaction/Stock Market Index	Listed						Non Listed
	Country 1	Country 2	Country 3	Country 4	Country 5	Rest of the world	
A. Equity securities	–	–	–	–	–	2	–
– long positions	–	–	–	–	–	2	–
– short positions	–	–	–	–	–	–	–
B. Trading of equity securities not yet settled	–	–	–	–	–	68	–
– long positions	–	–	–	–	–	34	–
– short positions	–	–	–	–	–	34	–
C. Other derivatives on equity securities	–	–	–	–	–	71	–
– long positions	–	–	–	–	–	71	–
– short positions	–	–	–	–	–	–	–
D. Equity Index Derivatives	–	–	–	–	–	–	–
– long positions	–	–	–	–	–	–	–
– short positions	–	–	–	–	–	–	–

1.2.2 Interest rate risk and price risk – Banking book

QUALITATIVE DISCLOSURES

General aspects

Asset Liability Management activities refer to all on-balance-sheet and off-balance-sheet transactions (Banking Book), excluding from this perimeter the positions in the supervisory Trading Book. Fluctuations in interest rates that would impact on the profits of the Crédit Agricole Italia Banking Group, through changers in net interest income and in net banking income and that would also have an effect on capital value since they would cause a change in the net present value of future cash flows are neutralized with hedges that limit the exposure to fluctuations in interest rates.

Organisational aspects

The process for the management of interest rate risk and price risk regarding the Group Banking Book is regulated within the relevant risk policies.

In its capacity as the Parent Company, Crédit Agricole Cariparma 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 the methods for measuring the exposure to interest rate risk, of examining the reporting produced by the Finance Division, as well as to resolve on any measures to be implemented.
- the Risk Management Committee with the task to examine the outcomes of controls of compliance with the RAF and Risk Strategy limits and alert thresholds, as well as of any alert procedures that started.

The CFO, through the Finance Division, has the powers and responsibilities for the management and, specifically, for the measurement of interest rate risk for the entire Group, in compliance with the guidelines issued by the Controlling Company Crédit Agricole SA and by the ALM Committee.

The Risk Management and Permanent Controls Department is responsible for control. Therefore, 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. Moreover, on a monthly basis, the Risk Management and Permanent Controls Department carries out the reperforming of the risk indicators set down by Crédit Agricole S.A. within the implemented Risk Strategy.

The framework system for interest rate risk and price risk (banking book) of 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. Such risk appetite is structured through global limits and operational limits that are set by the Risk Strategy.

Risk policy and management

The processes for the management of interest rate and price risks are governed by the respective risk policies.

These documents set down the internal regulatory system for the management of risks with reference to operations in financial instruments, in terms of:

- The principles, objectives, approaches and tools used for the measurement, control and management of risks;
- Guidelines and rules which the risk management and stress testing processes are based on.

The policy for the management of interest rate risk is designed to implement the short-term and long-term strategies. The management of this position aims at maximizing the profitability of the single entities of the Group, in compliance with the limits and guidelines set by the Boards of Directors and by the Group Risk Committee of Crédit Agricole S.A. The main financial instruments for the management of interest risk hedges are interest rate derivatives, which, for their very nature, are contracts referring to "pure" interest rate risk.

The policy for the management of the Banking Book is designed to hold liquidity reserves in a LCR perspective. The management of price risk aims at monitoring the impacts on the book value of capital generated by changes in value of the financial instruments held in the Banking Book, consistently with the acceptable risk level as set by the Board of Directors and by the Group Risk Committee of Crédit Agricole S.A.

Control System

Independent control on the system for the management of interest rate risk is performed by the Risk Management and Permanent Controls Department of Crédit Agricole Cariparma, for the Group and for the single entities, by verifying the compliance of such system with the CASA internal model. Specifically, within the scope of its tasks, the Risk Management and Permanent Controls Department:

- controls the risk measurement and models, consistently with the guidelines issued by the Supervisory Body and with the procedures set by Crédit Agricole S.A.
- assesses, within the validation and update process, the results of quantitative and qualitative analysis of the models, expressing its opinion in this regard;
- independently verifies the outcomes of the stress tests on the Banking Book;
- informs the Board of Directors and Crédit Agricole S.A. (within the control process) of any case in which the limits set for risk management have been breached since the last communication and recommends remedial actions to be implemented, after obtaining the opinion of the Finance Division.

The Risk Management and Permanent Controls Department is responsible for control of compliance with the set limits (global, operational and alert thresholds); therefore, it prepares and sends to the corporate Bodies its Financial Risk Report, covering the control outcomes, 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 Management Committee, as well as to the Internal Control Committee. A summary of the above Report is the basis for quarterly reporting on risks to the Boards of Directors of the Group Banks.

Risk measurement: methodological aspects

For measuring interest rate risk, the Group has adopted an interest-rate gap model, according to which, at each future maturity date, the cumulative gap generated assets and liabilities existing as at the relevant date is measured. To calculate the fixed-rate gap, on-balance-sheet exposures to interest rate risk must be identified, as well as the stable component of demand items, the effects of the "optionality" underlying some Banking Book positions must be estimated (e.g. early repayment of mortgage loans), as well as the maturity of some balance sheet items that have no certain contractual maturity, in accordance with the proprietary models of the Group and of Crédit Agricole S.A.

In line with the instructions given by Crédit Agricole S.A., a set of limits for the gaps was defined, which represents the maximum acceptable level of interest rate risk for the Group. These limits are calculated with reference to a series of risk indicators that measure the impact of a change in interest rates on equity. The ALM Committee and the *Comité Suivi Métier* approved the new limits proposed, which were then submitted to the Group Risk Committee of Crédit Agricole S.A. and to the Boards of Directors of the Banks.

In line with the Group management profile, the limit structure was approved and confirmed within the Risk Strategy:

Consistently with the guidelines issued by the Crédit Agricole S.A. Group, the limit system consists of global limits and operational limits (that are then adapted to each single entity of the Group). As regards global limits on interest rate risk, the Risk Strategy has confirmed:
- Global limit in terms of Net Present Value (NPV);
- Gap global limits subdivided into different time ranges.

As regards price risk for the Banking Book, global limits have been set, based on the type of instruments that can be held (Government securities), which are expressed with reference to the maximum nominal value, and further global limits and alert thresholds have been identified regarding the stress testing of the portfolio.

Operational limits have the same structure and are then adapted to each single Entity of the Group. These limits are approved by the Boards of Directors of the single Banks.

Fair value hedging

Interest rate risk hedging has the objective of immunizing 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), mortgage loans with cap to Customers (macro-hedging), government securities allocated to reserve and fixed-rate gaps detected by the internal model, which have been subject to macro hedging. The hedges were made exclusively by purchasing Interest Rate Swaps and Interest Rate Options.

In compliance with the IAS/IFRS, the effectiveness of the hedges was assessed by the Finance Division, which carries out the relevant tests on a monthly basis and keeps the relevant formal documentation.

Cash flow hedging

There is no current cash flow hedging.

EMIR – Developments in the management of regulatory requirements

Regulation (EU) No. 648/2012 on OTC derivatives, central counterparties and trade repositories, also known as “EMIR” (European Market Infrastructure Regulation), entered into force on 16 August 2012 with the objective of laying down a regulatory framework for over-the-counter (‘OTC’) derivative contracts, as well as reporting, clearing and conduct requirements in order to achieve higher transparency in the market and a reduction in systemic risk.

EMIR has been later supplemented by Delegated Regulations and Implementing Regulations specifying Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) for the implementation of the regulatory requirements.

EMIR provides for three main scopes:
- Reporting obligation, i.e. the obligation to report OTC derivatives to authorized trade repositories;
- Clearing obligation, i.e. the obligation to have specific types of transactions cleared by authorized central counterparties (CCP);
- The obligation to provide for specific risk mitigation techniques for contracts not cleared by a CCP.

The various requirements laid down by the European legislation have progressively entered into force over the last few years.

Specifically, over the last few years, the Crédit Agricole Italia Banking Group has developed the implementation required for reporting derivatives to the trade repository (also on behalf of Customers that have given the relevant proxy) and, within the risk mitigation scope, for timely confirmation of contracts and for their daily mark-to-market measurement. Moreover, the Group has set the process for portfolio reconciliation.

In 2016, the Crédit Agricole Italia Banking Group implemented IT developments to optimize reporting to the trade repository, setting an automated process for reporting reconciliation and for the production of reporting on derivatives traded on regulated markets.

In 2016, for the Crédit Agricole Italia Banking Group, the obligation entered into force to have fixed-to-float interest rate swaps, the so-called *plain vanilla* in Euro cleared by CCPs. In this regard, the Group has obtained the exemption from the central clearing obligation for intra-group transactions between the Banks of the Group and between the Banks and the counterparty Crédit Agricole Corporate & Investment Bank, also part of the Crédit Agricole Group.

Afterwards, on 15 December 2016, Delegated Regulation (EU) 2016/2251 was published on the Official Journal of the European Union, which, in terms of risk mitigation techniques, provides for the exchange of collateral, laying down Initial Margin and Variation Margin requirements for derivatives that are not cleared by a CCP.

This Regulation entered into force on 4 January 2017 and provides for different effective dates for the obligations to exchange collateral in accordance with the aggregate month-end average notional amount of all non-centrally cleared OTC derivative contracts, to be calculated at Group level, for the counterparties involved in the relevant transactions.

For intra-group transactions, exemptions from the obligation to exchange collateral are provided for, granted that certain conditions are met; specifically, pursuant to Article 11 paragraph 6 of Regulation (EU) No. 648/2012, intragroup transactions that are entered into by counterparties which are established in different Member States shall be exempt totally or partially from the requirement to exchange collateral "on the basis of a positive decision of both the relevant competent authorities".

In this regard, the Entities of the Crédit Agricole Group may be exempted from the obligation to exchange collateral for the transactions entered into by and between them.

QUANTITATIVE DISCLOSURES

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Type/Residual maturity (EURO)	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**9,275,993**	**21,940,194**	**1,223,382**	**2,382,320**	**4,657,280**	**3,903,504**	**3,849,769**	**157,801**
1.1 Debt securities	–	20,394	1	896,901	1,946,889	2,319,838	–	157,801
– with early repayment option	–	–	–	–	–	–	–	–
– other	–	20,394	1	896,901	1,946,889	2,319,838	–	157,801
1.2 Loans to banks	725,776	3,520,800	4,190	7,362	4,427	–	2	–
1.3 Loans to customers	8,550,217	18,399,000	1,219,191	1,478,057	2,705,964	1,583,666	3,849,767	–
– c/c	765,936	475,068	43,680	274,295	215,774	8,365	1,059,199	–
– other loans	7,784,281	17,923,932	1,175,511	1,203,762	2,490,190	1,575,301	2,790,568	–
– with early repayment option	7,065	404,554	109,243	34,952	38,820	3,682	6,617	–
– other	7,777,216	17,519,378	1,066,268	1,168,810	2,451,370	1,571,619	2,783,951	–
2. On-balance-sheet liabilities	**27,546,367**	**3,924,820**	**1,289,856**	**820,829**	**4,777,890**	**2,747,469**	**3,246,191**	**–**
2.1 Due to customers	27,423,969	619,642	321,248	2,190	4,669	–	2,506,592	–
– c/a	25,091,084	600,092	300,000	–	–	–	2,506,592	–
– other due and payables	2,332,885	19,550	21,248	2,190	4,669	–	–	–
– with early repayment option	–	–	–	–	–	–	–	–
– other	2,332,885	19,550	21,248	2,190	4,669	–	–	–
2.2 Due to banks	114,862	2,400,050	165,597	69,413	2,051,235	2	1	–
– c/a	13,297	–	–	–	–	–	–	–
– other due and payables	101,565	2,400,050	165,597	69,413	2,051,235	2	1	–
2.3 Debt securities	7,536	905,128	803,011	749,226	2,721,986	2,747,467	739,598	–
– with early repayment option	–	–	–	–	–	–	–	–
– other	7,536	905,128	803,011	749,226	2,721,986	2,747,467	739,598	–
2.4 Other liabilities	–	–	–	–	–	–	–	–
– with early repayment option	–	–	–	–	–	–	–	–
– other	–	–	–	–	–	–	–	–
3. Financial Derivatives	**242,061**	**21,765,662**	**646,499**	**2,356,830**	**9,825,121**	**9,283,676**	**1,062,739**	**–**
3.1 With underlying security	–	–	–	–	–	–	–	–
– Options	–	–	–	–	–	–	–	–
+ long positions	–	–	–	–	–	–	–	–
+ short positions	–	–	–	–	–	–	–	–
– Other derivatives	–	–	–	–	–	–	–	–
+ long positions	–	–	–	–	–	–	–	–
+ short positions	–	–	–	–	–	–	–	–
3.2 Without underlying security	242,061	21,765,662	646,499	2,356,830	9,825,121	9,283,676	1,062,739	–
– Options	21,312	10,776	55	270,110	312,379	372,469	309,781	–
+ long positions	10,637	28	27	135,055	158,314	186,848	157,532	–
+ short positions	10,675	10,748	28	135,055	154,065	185,621	152,249	–
– Other derivatives	220,749	21,754,886	646,444	2,086,720	9,512,742	8,911,207	752,958	–
+ long positions	1,849	5,083,608	637,818	1,358,028	7,340,850	6,770,700	750,000	–
+ short positions	218,900	16,671,278	8,626	728,692	2,171,892	2,140,507	2,958	–
4. Other off-balance-sheet transactions	–	–	–	–	–	–	–	–
+ long positions	–	–	–	–	–	–	–	–
+ short positions	–	–	–	–	–	–	–	–

Type/Residual maturity (Other currencies)	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**57,932**	**217,083**	**17,593**	**23,295**	**22,027**	**1,884**	**4**	**–**
1.1 Debt securities	–	–	–	–	–	–	–	–
– with early repayment option	–	–	–	–	–	–	–	–
– other	–	–	–	–	–	–	–	–
1.2 Loans to banks	35,272	80,920	3,071	–	2,166	–	–	–
1.3 Loans to customers	22,660	136,163	14,522	23,295	19,861	1,884	4	–
– c/a	11,123	3	1	2	–	–	4	–
– other loans	11,537	136,160	14,521	23,293	19,861	1,884	–	–
– with early repayment option	33	31,988	1,491	2,592	20	–	–	–
– other	11,504	104,172	13,030	20,701	19,841	1,884	–	–
2. On-balance-sheet liabilities	**220,660**	**125,934**	**8,112**	**2,428**	**–**	**–**	**–**	**–**
2.1 Due to customers	220,645	398	508	420	–	–	–	–
– c/a	219,253	398	508	420	–	–	–	–
– other due and payables	1,392	–	–	–	–	–	–	–
– with early repayment option	–	–	–	–	–	–	–	–
– other	1,392	–	–	–	–	–	–	–
2.2 Due to banks	15	125,536	7,604	2,008	–	–	–	–
– c/a	15	–	–	–	–	–	–	–
– other due and payables	–	125,536	7,604	2,008	–	–	–	–
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	**130**	**34,154**	**128**	**–**	**–**	**–**	**–**	**–**
+ long positions	–	17,078	128	–	–	–	–	–
+ short positions	130	17,076	–	–	–	–	–	–

1.2.3 Exchange rate risk

QUALITATIVE DISCLOSURES

General aspects, management and measurement of exchange rate risk

General aspects

The Crédit Agricole Italia Banking Group is not engaged in proprietary trading on the currency market and does not hold assets or liabilities which are not hedged against this risk. 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 Cariparma coordinates the exchange rate risk profiles of the Group, centrally managing financial operations, as well as risk assessment and control activities.

Management and measurement of exchange rate risks

Organisational aspects

The process for the management of exchange rate risks is regulated by the relevant risk policy. This Policy is one of the components of the overall risk governance model implemented by the Group, consistently with the guidelines given by Crédit Agricole SA.

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 framework system for exchange rate risk of the Group 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 laid down by the Risk Strategy.

The system of global limits must be able to ensure a controlled development of the business. Global limits on exchange rate risk are set based on the value in Euro of the single positions and are validated by the Crédit Agricole Group Risk Committee (CRG) and approved by the Board of Directors.

Operational limits are specifically adjusted for each Bank of the Group and are validated by each Bank's Board 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 Risk Report, which is fed by automated daily reporting through an internal procedure. It is sent to the Group's Top Management (CFO), to the Departments engaged in exchange risk management (Corporate Banking Department), to the Internal Audit Department and to Crédit Agricole SA (*Direction Risques Groupe*).

A summary of this report is the basis for quarterly risk reporting to the Group's Executive and Control collective Bodies (Risk Management Committee, Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are exceeded, there are significant changes in markets, significant losses, etc.), the Group triggers the alert procedure, reporting the event and a remedial action plant, as soon as possible, to the Top Management Bodies and to the *Direction Risques Groupe* of Crédit Agricole S.A.

Exchange rate risk hedging

Exchange rate 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 exchange rate risk positions exceeding the authorized operational limits. Back-to-back hedging transactions are carried out with Authorized Financial Counterparties and are traded upon the closing of the relevant transactions with Customers.

QUANTITATIVE DISCLOSURES

1. Breakdown by currency of assets, liabilities and derivatives

Items	Currencies					
	US DOLLAR	POUND STERLING	JAPAN YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER CURRENCIES
A. Financial Assets	**281,526**	**16,657**	**3,129**	**4,373**	**21,910**	**12,388**
A.1 Debt securities	1	–	–	–	–	–
A.2 Equity securities	–	–	–	–	–	–
A.3 Loans to banks	89,854	16,089	2,023	3,003	2,110	8,515
A.4 Loans to customers	191,671	568	1,106	1,370	19,800	3,873
A.5 Other financial assets	–	–	–	–	–	–
B. Other assets	**1,956**	**769**	**86**	**132**	**528**	**642**
C. Financial Liabilities	298,676	17,175	3,169	4,320	22,146	11,648
C.1 Due to banks	117,560	–	–	–	12,478	5,126
C.2 Due to customers	181,116	17,175	3,169	4,320	9,668	6,522
C.3 Debt securities	–	–	–	–	–	–
C.4 Other financial liabilities	–	–	–	–	–	–
D. Other liabilities	**3,596**	**322**	**4**	**58**	**271**	**205**
E. Financial derivatives	**984**	**27**	**7**	**37**	**12**	**134**
– Options	–	–	–	–	–	–
+ long positions	244	247	–	–	–	–
+ short positions	244	247	–	–	–	–
– Other derivatives	984	27	7	37	12	134
+ long positions	166,229	9,676	4	1,793	726	1,230
+ short positions	167,213	9,649	11	1,830	738	1,364
Total assets	**449,955**	**27,349**	**3,219**	**6,298**	**23,164**	**14,260**
Total liabilities	**469,729**	**27,393**	**3,184**	**6,208**	**23,155**	**13,217**
Mismatch (+/-)	**19,774**	**44**	**35**	**90**	**9**	**1,043**

1.2.4 Derivatives

A. Financial Derivatives

A.1 Supervisory Trading Book: closing notional values

Underlying assets/Type of derivative	31.12.2016		31.12.2015	
	Over-the Counter	Central counterparties	Over-the Counter	Central counterparties
1. Debt securities and interest rates	**7,500,352**	**–**	**8,617,444**	**–**
a) Options	3,172,778	–	4,446,956	–
b) Swaps	4,327,574	–	4,170,488	–
c) Forward contracts	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
2. Equity securities and equity indices	**254**	**–**	**–**	**–**
a) Options	254	–	–	–
b) Swaps	–	–	–	–
c) Forward contracts	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
3. Foreign exchange and gold	**546,430**	**–**	**348,379**	**–**
a) Options	205,044	–	68,784	–
b) Swaps	1,897	–	826	–
c) Forward contracts	339,489	–	278,769	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
4. Commodities	**2,537**	**–**	**7,020**	**–**
5. Other underlying assets	**–**	**–**	**–**	**–**
Total	**8,049,573**	**–**	**8,972,843**	**–**

A.2 Banking Book: closing notional values

A.2.1 Held for Hedging

Underlying assets/Type of derivatives	31.12.2016		31.12.2015	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**22,905,877**	**–**	**22,397,176**	**–**
a) Options	963,024	–	508,669	–
b) Swaps	21,942,853	–	21,781,244	–
c) Forward contracts	–	–	107,263	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
2. Equity securities and equity indices	**–**	**–**	**–**	**–**
a) Options	–	–	–	–
b) Swaps	–	–	–	–
c) Forward contracts	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
3. Foreign exchange and gold	**–**	**–**	**–**	**–**
a) Options	–	–	–	–
b) Swaps	–	–	–	–
c) Forward contracts	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
4. Commodities	**–**	**–**	**–**	**–**
5. Other underlying assets	**–**	**–**	**–**	**–**
Total	**22,905,877**	**–**	**22,397,176**	**–**

A.2.2 Other derivatives

Underlying assets/Type of derivative	31.12.2016		31.12.2015	
	Over-the Counter	Central counterparties	Over-the Counter	Central counterparties
1. Debt securities and interest rates	–	–	554,068	–
a) Options	–	–	554,068	–
b) Swaps	–	–	–	–
c) Forward contracts	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
2. Equity securities and equity indices	–	–	–	–
a) Options	–	–	–	–
b) Swaps	–	–	–	–
c) Forward contracts	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
3. Foreign exchange and gold	–	–	–	–
a) Options	–	–	–	–
b) Swaps	–	–	–	–
c) Forward contracts	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
4. Commodities	–	–	–	–
5. Other underlying assets	–	–	–	–
Total	–	–	554,068	–

A.3 Financial derivatives: gross positive fair value – breakdown by product

Underlying assets/Type of derivatives	Positive fair value			
	31.12.2016		31.12.2015	
	Over-the Counter	Central counterparties	Over-the Counter	Central counterparties
A. Supervisory Trading Book	**91,732**	**–**	**105,836**	**–**
a) Options	8,970	–	6,369	–
b) Interest rate swap	76,257	–	95,798	–
c) Cross currency swap	–	–	–	–
d) Equity swap	–	–	–	–
e) Forward contracts	6,246	–	3,519	–
f) Futures	–	–	–	–
g) Other	259	–	150	–
B. Banking Book – hedging	**749,490**	**–**	**692,455**	**–**
a) Options	31,492	–	8,801	–
b) Interest rate swaps	717,998	–	683,231	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forward contracts	–	–	423	–
f) Futures	–	–	–	–
g) Other	–	–	–	–
C. Banking Book – other derivatives	**–**	**–**	**1,328**	**–**
a) Options	–	–	1,328	–
b) Interest rate swaps	–	–	–	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forward contracts	–	–	–	–
f) Futures	–	–	–	–
g) Other	–	–	–	–
Total	**841,222**	**–**	**799,619**	**–**

A. 4 Financial derivatives: gross negative fair value – breakdown by product

Underlying assets/Type of derivatives	Negative fair value			
	31.12.2016		31.12.2015	
	Over-the Counter	Central counterparties	Over-the Counter	Central counterparties
A. Supervisory Trading Book	**103,135**	**–**	**116,275**	**–**
a) Options	8,392	–	17,608	–
b) Interest rate swaps	88,252	–	95,066	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forward contracts	6,226	–	3,463	–
f) Futures	–	–	–	–
g) Other	265	–	138	–
B. Banking Book – hedging	**748,527**	**–**	**670,155**	**–**
a) Options	–	–	230	–
b) Interest rate swaps	748,527	–	669,908	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forward contracts	–	–	17	–
f) Futures	–	–	–	–
g) Other	–	–	–	–
C. Banking Book – other derivatives	**–**	**–**	**1,197**	**–**
a) Options	–	–	1,197	–
b) Interest rate swaps	–	–	–	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forward contracts	–	–	–	–
f) Futures	–	–	–	–
g) Other	–	–	–	–
Total	**851,662**	**–**	**787,627**	**–**

A.5 OTC financial derivatives: Supervisory Trading Book: notional values, gross positive and negative fair values by counterparty – contracts not included in netting arrangements

Contracts not included in netting arrangements	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance undertakings	Non-financial corporations	Other parties
1) Debt securities and interest rates							
– notional value	–	976	–	165,542	–	3,157,575	424,200
– positive fair value	–	12	–	4,597	–	72,756	535
– negative fair value	–	–	–	2	–	1,523	2,283
– future exposure	–	3	–	490	–	11,166	87
2) Equity securities and equity indices							
– notional value	–	–	254	–	–	–	–
– positive fair value	–	–	804	–	–	–	–
– negative fair value	–	–	–	–	–	–	–
– future exposure	–	–	20	–	–	–	–
3) Foreign exchange and gold							
– notional value	–	–	170,734	346	–	269,223	2,752
– positive fair value	–	–	2,958	15	–	5,319	42
– negative fair value	–	–	3,296	–	–	3,157	45
– future exposure	–	–	1,723	3	–	2,986	28
4) Other assets							
– notional value	–	–	–	–	–	1,271	–
– positive fair value	–	–	–	–	–	2	–
– negative fair value	–	–	–	–	–	226	–
– future exposure	–	–	–	–	–	127	–

A.6 OTC financial derivatives: Supervisory Trading Book: notional values, gross positive and negative fair values by counterparty – contracts included in netting arrangements

Contracts included in netting arrangements	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance undertakings	Non-financial corporations	Other parties
1) Debt securities and interest rates							
– notional value	–	–	3,746,859	5,199	–	–	–
– positive fair value	–	–	4,193	4	–	–	–
– negative fair value	–	–	90,489	23	–	–	–
2) Equity securities and equity indices							
– notional value	–	–	–	–	–	–	–
– positive fair value	–	–	–	–	–	–	–
– negative fair value	–	–	–	–	–	–	–
3) Foreign exchange and gold							
– notional value	–	–	103,376	–	–	–	–
– positive fair value	–	–	276	–	–	–	–
– negative fair value	–	–	2,090	–	–	–	–
4) Other assets							
– notional value	–	–	1,266	–	–	–	–
– positive fair value	–	–	219	–	–	–	–
– negative fair value	–	–	1	–	–	–	–

A.8 Financial derivatives: Banking Book: notional values, gross positive and negative fair values by counterparty – contracts included in netting arrangements

Contracts included in netting arrangements	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance undertakings	Non-financial corporations	Other parties
1) Debt securities and interest rates							
– notional value	–	–	22,901,550	4,327	–	–	–
– positive fair value	–	–	749,490	–	–	–	–
– negative fair value	–	–	747,925	602	–	–	–
2) Equity securities and equity indices							
– notional value	–	–	–	–	–	–	–
– positive fair value	–	–	–	–	–	–	–
– negative fair value	–	–	–	–	–	–	–
3) Foreign exchange and gold							
– notional value	–	–	–	–	–	–	–
– positive fair value	–	–	–	–	–	–	–
– negative fair value	–	–	–	–	–	–	–
4) Other assets							
– notional value	–	–	–	–	–	–	–
– positive fair value	–	–	–	–	–	–	–
– negative fair value	–	–	–	–	–	–	–

A.9 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. Supervisory Trading Book	**1,936,325**	**4,169,565**	**1,943,683**	**8,049,573**
A.1 Financial derivatives on debt securities and interest rates	1,466,833	4,089,837	1,943,683	7,500,353
A.2 Financial derivatives on equity securities and equity indices	–	254	–	254
A.3. Financial Derivatives on exchange rates and gold	466,955	79,474	–	546,429
B.4 Financial derivatives on other assets	2,537	–	–	2,537
B. Banking book	**3,240,944**	**9,140,225**	**10,524,708**	**22,905,877**
B.1 Financial derivatives on debt securities and interest rates	3,240,944	9,140,225	10,524,708	22,905,877
B.2 Financial derivatives on equity securities and equity indices	–	–	–	–
A.3. Financial Derivatives on exchange rates and gold	–	–	–	–
B.4 Financial derivatives on other assets	–	–	–	–
Total 31.12.2016	**5,177,269**	**13,309,790**	**12,468,391**	**30,955,450**
Total 31.12.2015	**6,939,720**	**14,285,265**	**10,699,102**	**31,924,087**

1.3 Banking Group – liquidity risk

QUALITATIVE DISCLOSURES

General aspects, management and measurement of liquidity risk

General and organisational aspects

Liquidity risk refers to 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 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- and long-term assets.

The liquidity risk management model, approved by Crédit Agricole Cariparma Board of Directors, is based on the principle of separation of liquidity management and measurement processes from liquidity risk controlling processes, in compliance with the regulatory requirements and with the guidelines issued by Crédit Agricole S.A.

This model provides for the governance and management of liquidity risk to be centrally performed by the Parent Company Crédit Agricole Cariparma, who is also responsible for the funding process of all the entities in the Group. This framework is defined as the "Liquidity System".

The model lays down the responsibilities of the corporate Bodies, Departments, Divisions and Roles 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 system of limits, the assumptions at the basis of stress tests, the *Plan d'Urgence*[(1)] and the Contingency Funding Plan.
- The CFO, through the Finance Division, 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 Division operates in compliance with the directions given by the ALM Committee, in which the General Management of the Entities of the Group participates.
- The Risk Management and Permanent Controls Department is responsible for the permanent controls mechanism, controls 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 Division, it is also responsible for monitoring the ratios and indicators provided for in the Contingency Funding Plan.

The process for liquidity risk management is governed by the relevant risk policy.

(1) At its meeting held on 3 May 2011, the Board of Directors of the Parent Company Crédit Agricole Cariparma implemented the "*Plan d'Urgence du Groupe Crédit Agricole*", which, in case of any severe and long-lasting general liquidity crisis, provides for every entity of the Crédit Agricole Group to give the required contribution to convert the reserves, as stated and used to calculate the limits, into liquidity, where so requested by Crédit Agricole S.A. Crisis Committee.

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 meet its on-balance-sheet payment commitments, expected and unexpected, in such a way as not to prejudice normal business.

A basic condition for achieving this objective is to permanently maintain sufficient balance between incoming and outgoing liquidity flow.

The Group's liquidity risk monitoring system considers the following factors:

- Keeping immediate liquidity, i.e. the net balance of customer sources, excess 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 based on planned rates (monitoring the performance of liquidity from loans to customers/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 using the method set by the Liquidity System aimed at ensuring surplus liquidity over a one-year horizon in a market under 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.

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 the Group 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). Positive levels of the above indicators substantiate the Group's ability to support its assets during a crisis.

Moreover, a concentration limit to MLT maturities (*Concentration des tombées de dette MLT*) has been set, which aims at ensuring balance between maturities of MLT resources and maturities of long-term uses.

The resilience ratios and indicators for every one of the assumed scenarios are calculated on a monthly basis.

The ratios and indicators are intended to monitor compliance with the Group's risk appetite and are benchmarked against specific limits laid down by CAsa and approved by the Group Risk Committee upon presentation of the Risk Strategy and then approved by the Board of Directors of the Parent Company Crédit Agricole Cariparma.

Within Short-Term Liquidity Risk monitoring, on a monthly basis the Crédit Agricole Italia Banking Group fines tunes 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 cash outflows in the subsequent 30 calendar days.

In 2016, in compliance with the Basel III regulatory framework, the Group reported its LCR (liquidity coverage ratio) to the Supervisory Bodies on a regular basis.

It is reported that, in 2016, the Crédit Agricole Italia Banking Group carried out a Covered Bond issuance on the market in a dual-tranche format for a total of Euro 1.5 billion; the Covered Bonds were fully subscribed by institutional investors. With this transaction, the Group aims at further improving its liquidity profile diversifying funding sources and stabilizing them on longer maturities.

On 14 March 2017, Crédit Agricole Cariparma launched the first 2017 Italian Covered Bond transaction. The outcome of this transaction, which was proposed to market for a total value of Euro 1.5 billion and in a dual-tranche format, has confirmed investors' good opinion of our Group (orders for Euro 2.9 billion), in the Covered Bond market that is proving slow and very selective.

Both securities are expected to be assigned an Aa2 rating by Moody's.

The Banks of the Group have participated in the cover pool transferring receivables from mortgage loans.

In 2016, the Crédit Agricole Italia Banking Group also participated in TLTRO II for an amount of Euro 1.9 billion.

Finally, 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 allows the internal return rate to be determined, 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 controlling compliance with the set limits; therefore, it prepares and issues its own Financial Risk Report, which includes information on the control outcomes and on any breaches of the limits or alert thresholds. On a quarterly basis, it also submits a summary of the above Report to the Risk Management Committee, to the Internal Control Committee and to the Boards of Directors of the Group's Banks.

The Risk Management and Permanent Controls Department independently calculates the short-term liquidity ratios (LCT) and monitors – on a monthly basis – the stress scenario and alert indicators as generated by the Crédit Agricole Group's tools. Jointly with the Finance Division, it is also responsible for monitoring the ratios and indicators provided for in the Contingency Funding Plan.

A process is in place for reporting and formalizing a corrective plan to the Top Management and to Crédit Agricole, in the event of any global limits being exceeded, of significant losses, warning thresholds being reached in terms of risks or performance, significant variations in ratios and indicators, potentially negative and unexpected changes in financial markets, systematic inadequacy or malfunctioning of risk management and measurement system, or any other event or situation deemed relevant in monitoring liquidity risk.

DISCLOSURE

The document "Disclosure" (Basel 3 Third Pillar) referring to 31 December 2016 is published on the website www.gruppo.credit-agricole.it/bilanci-cariparma.

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 set 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) 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/ Timeframe (EURO)	On demand	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	**2,679,374**	**2,299,400**	**551,948**	**682,855**	**1,483,650**	**1,835,337**	**4,088,089**	**15,009,186**	**18,443,930**	**462,896**
A.1 Government securities	–	–	–	–	69,282	10,236	811,319	1,677,001	1,991,201	2
A.2 Other debt securities	–	–	–	–	2	70	8,885	110	4	135,000
A.3 Units of collective investment undertakings	712	–	–	–	–	–	–	–	–	–
A.4 Loans	2,678,662	2,299,400	551,948	682,855	1,414,366	1,825,031	3,267,885	13,332,075	16,452,725	327,894
– banks	141,033	2,185,567	350,302	2,326	2,364	254,796	9,671	988,043	–	327,894
– customers	2,537,629	113,833	201,646	680,529	1,412,002	1,570,235	3,258,214	12,344,032	16,452,725	–
On-balance-sheet liabilities	**30,159,558**	**1,692,419**	**156,270**	**54,476**	**1,212,080**	**1,137,062**	**1,154,234**	**5,443,442**	**3,526,401**	**–**
B.1 Deposits and current accounts	29,843,213	1,685,000	150,004	2,102	455,523	300,657	76,235	151,028	–	–
– banks	109,980	1,685,000	–	794	–	–	69,752	151,028	–	–
– customers	29,733,233	–	150,004	1,308	455,523	300,657	6,483	–	–	–
B.2 Debt securities	114,094	3,207	6,266	44,787	627,142	806,135	980,259	2,760,171	3,500,000	–
B.3 Other liabilities	202,251	4,212	–	7,587	129,415	30,270	97,740	2,532,243	26,401	–
Off-balance-sheet transactions	**179,481**	**35,548**	**15,082**	**60,376**	**179,744**	**170,498**	**286,891**	**1,932**	**270,460**	**120**
C.1 Financial derivatives with exchange of principal	–	30,596	12,250	48,646	93,574	120,564	56,826	1,932	460	120
– long positions	–	15,282	6,126	24,329	46,811	60,405	28,509	1,303	230	60
– short positions	–	15,314	6,124	24,317	46,763	60,159	28,317	629	230	60
C.2 Financial derivatives without exchange of principal	179,481	4,952	2,832	11,730	86,170	49,934	230,065	–	270,000	–
– long positions	84,492	4,497	1,411	10,396	49,649	41,820	163,875	–	135,000	–
– short positions	94,989	455	1,421	1,334	36,521	8,114	66,190	–	135,000	–
C.3 Deposits and loans to be received	–	–	–	–	–	–	–	–	–	–
– long positions	–	–	–	–	–	–	–	–	–	–
– short positions	–	–	–	–	–	–	–	–	–	–
3) Irrevocable commitments to disburse funds	–	–	–	–	–	–	–	–	–	–
– long positions	–	–	–	–	–	–	–	–	–	–
– short positions	–	–	–	–	–	–	–	–	–	–
C.5 Financial guarantees issued	–	–	–	–	–	–	–	–	–	–
C.6 Financial guarantees received	–	–	–	–	–	–	–	–	–	–
C.7 Credit derivatives with exchange of principal	–	–	–	–	–	–	–	–	–	–
– long positions	–	–	–	–	–	–	–	–	–	–
– short positions	–	–	–	–	–	–	–	–	–	–
C.7 Credit derivatives without exchange of principal	–	–	–	–	–	–	–	–	–	–
– long positions	–	–	–	–	–	–	–	–	–	–
– short positions	–	–	–	–	–	–	–	–	–	–

Items/Timeframe (Other currencies)	On demand	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	**57,794**	**84,328**	**26,385**	**61,331**	**45,696**	**28,544**	**2,801**	**25,208**	**9,040**	**1**
A.1 Government securities	–	–	–	–	–	–	–	–	–	1
A.2 Other debt securities	–	–	–	–	–	–	–	–	–	–
A.3 Units of collective investment undertakings	–	–	–	–	–	–	–	–	–	–
A.4 Loans	57,794	84,328	26,385	61,331	45,696	28,544	2,801	25,208	9,040	–
– banks	35,436	77,119	3,074	–	735	3,086	–	2,166	–	–
– customers	22,358	7,209	23,311	61,331	44,961	25,458	2,801	23,042	9,040	–
On-balance-sheet liabilities	**223,047**	**6,856**	**29,340**	**56,956**	**33,012**	**8,143**	**41**	**–**	**–**	**–**
B.1 Deposits and current accounts	219,648	6,359	29,340	54,340	32,800	8,143	41	–	–	–
– banks	15	6,359	29,340	54,340	32,399	7,633	–	–	–	–
– customers	219,633	–	–	–	401	510	41	–	–	–
B.2 Debt securities	–	–	–	–	–	–	–	–	–	–
B.3 Other liabilities	3,399	497	–	2,616	212	–	–	–	–	–
Off-balance-sheet transactions	**2**	**39,999**	**12,402**	**50,136**	**114,050**	**118,209**	**58,371**	**1,248**	**92**	**–**
C.1 Financial derivatives with exchange of principal	–	22,923	12,402	50,136	96,972	117,878	58,371	1,248	92	–
– long positions	–	10,917	6,201	25,068	48,486	58,939	29,185	624	16	–
– short positions	–	12,006	6,201	25,068	48,486	58,939	29,186	624	76	–
C.2 Financial derivatives without exchange of principal	–	–	–	–	–	75	–	–	–	–
– long positions	–	–	–	–	–	38	–	–	–	–
– short positions	–	–	–	–	–	37	–	–	–	–
C.3 Deposits and loans to be received	–	17,076	–	–	17,076	–	–	–	–	–
– long positions	–	17,076	–	–	–	–	–	–	–	–
– short positions	–	–	–	–	17,076	–	–	–	–	–
3) Irrevocable commitments to disburse funds	2	–	–	–	2	256	–	–	–	–
– long positions	–	–	–	–	2	128	–	–	–	–
– short positions	2	–	–	–	–	128	–	–	–	–
C.5 Financial guarantees issued	–	–	–	–	–	–	–	–	–	–
C.6 Financial guarantees received	–	–	–	–	–	–	–	–	–	–
C.7 Credit derivatives with exchange of principal	–	–	–	–	–	–	–	–	–	–
– long positions	–	–	–	–	–	–	–	–	–	–
– short positions	–	–	–	–	–	–	–	–	–	–
C.7 Credit derivatives without exchange of principal	–	–	–	–	–	–	–	–	–	–
– long positions	–	–	–	–	–	–	–	–	–	–
– short positions	–	–	–	–	–	–	–	–	–	–

As at 31 December 2016, the Parent Company Crédit Agricole Cariparma was carrying out two so-called "internal" securitization transactions transferring receivables deriving from mortgage loans so called "*fondiari*" (real estate mortgage loans with duration of more than 18 months and ratio between the loan amount and the value of the collateral not higher than 80%) secured by first mortgage.

As at 31 December 2016, the residual debt of securitized mortgage loans amounted to Euro 3,480 million.

Subsequent to the transfer of the mortgage loans, the Parent Company fully subscribed the securities (Senior and Junior) having the following features:

Securitization 1:
- Senior: nominal value Euro 1,405 million, maturity 31 January 2058, indexed to EUR 6M+0.35%;
- Junior: nominal value Euro 390 million, maturity 31 January 2058, indexed to EUR 6M+0.60% + variable portion;

Securitization 2:
- Senior: nominal value Euro 1,353 million, maturity 30 April 2060, indexed to EUR 6M+0.75%;
- Junior: nominal value Euro 453 million, maturity 30 April 2060, indexed to EUR 6M+0.90% + variable portion;

In order to provide the SPE with liquidity to pay the coupons, two Interest Rate Swap transactions were carried with the SPE for a notional value of Euro 1,405 million and Euro 1,353 million, respectively, with maturities on 31 January 2058 and 30 April 2060; the derivative amortization reflects the amortization of the senior security.

1.4 Banking Group – operational risks

QUALITATIVE DISCLOSURES

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 measures, as well as private settlements.

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 by the Group Banks with the regulatory requirements for the use of the Traditional Standardised Approach (TSA) for the calculation of the Regulatory Capital as provided for by Basel 3, with the exception of CALIT (an intermediary pursuant to Article 107 of the Italian Consolidated Banking Act -TUB), which uses the base approach;
- 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;
- To fine-tune the permanent controls systems and to extend the coverage of the same controls within the company perimeter.

Macro-organisational aspects

The Risk Management and Permanent Controls Department of Crédit Agricole Cariparma is responsible for the governance of the Group' operational risks, 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 Central 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 engaged in this function, which works with the well-established and complementary contributions, in its operating, management and mitigation activities, of specialized roles, departments and mechanisms:

- ORM (Operational Risk Manager, Italian acronym: MRO);
- Control on Outsourced Important Operational Functions/Provision of Outsourced Essential Services (Italian acronyms FOIE/PSEE), on Physical Security and on the Business Continuity Plan (BCP or with the Italian acronym PCO);
- PRSI (*Pilote des Risques* SI), in charge of monitoring and control of IT risks on the Information System;
- 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;
- Fraud Prevention Unit (Italian acronym: NAF);
- Structures and tools, instrumental for proper risk control and for the management of mitigation/improvement actions, including:
  - the Supervisory Committee of CA s.a.(*Comité Suivi Métier*);
  - the Internal Control Committee;
  - the Risk Management Committee;
  - the FOIE/PSEE Interfunctional Unit for the Provision of Outsourced Important Operational Functions and the Provision of Outsourced Essential Services;
  - the BCP (Business Continuity Plan) Interfunctional Unit;
  - the Supervisory Committee on IT Security and on BCP of the Parent Company CAsa (CSSCA, Supervisory Committee on Security and Business Continuity);
  - the system of remote controls for the Distribution Network, together with early warning 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. has been intended for the harmonization with 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;
- verification of the controls actual implementation;
- development of the system for remote 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);
- Scenario analysis (prospective measurement of exposure to high-impact low-frequency operational risks, relating to specific contexts);
- 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 (FOIE/PSEE, improvement, ...).

Each of these processes entails information processing based on methods that are predefined, repeatable and formalized in the Company's regulations, 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 (so-called "Self Risk Assessment") aimed at defining an annual Action Plan containing all the initiatives that the Persons responsible for the various corporate processes have identified as required in order to mitigate existing operational risks;
- implementation of the permanent controls plan, both within the Distribution Network and at Central Departments, in order to control the most critical processes;
- a fraud prevention unit, whose Manager coordinates the Company's structures in the interception, management and prevention of frauds;
- implementation of a training program focusing specifically on fraud prevention, in order to foster risk culture and awareness;
- implementation of the system for control and monitoring of outsourced essential services (FOIE/PSEE), specifically with a new regulatory structure and a general review on existing outsourcing contracts;
- implementation of the system for control and monitoring on:
  - physical security;
  - Business continuity (BCP);
  - Implementation of the unit engaged in control and monitoring of Information and Communication Technology (ICT) Risk.

Transfer of risk

Based on specific assessments, the Group transfers operational risk through the following dedicated initiatives:

- activation of insurance policies to offset the impact of unexpected losses;
- implementation of a structure that has the objective, among others, of assessing and managing insurance covers;
- coordination with Crédit Agricole S.A., aimed at ensuring full consistency between the transfer strategy and the Group objectives.

Other activities implemented

Proactive involvement 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.

Implementation of initiatives aimed at compliance with the new Supervisory regulation on the Internal Controls System – ICS – (15th update of Bank of Italy's Circular No. 263/2006).

Risk management coordination and shared solutions

This is the specific task of the Group Operational Risks Committee, composed of the main Corporate Departments, which is responsible for:

- Approving guidelines and action plans on operational risks (other than Compliance).
- Reporting on LDC (Loss Data Collection).
- Monitoring control activities and outcomes, as well as:
  - periodically validating operational risk mapping;
  - periodically validating the identification of risk scenarios being measured during the Scenario Analysis Process.

- 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 PRSI (*Pilote des Risques SI*) and by the CISO (Chief Information Security Officer).
- Assessing the dossiers on outsourced important operational functions and essential services (PSEE/OEA) for the Crédit Agricole Italia Banking Group;
- Managing risk transfer, with specific reference to insurance coverage.

Loss data

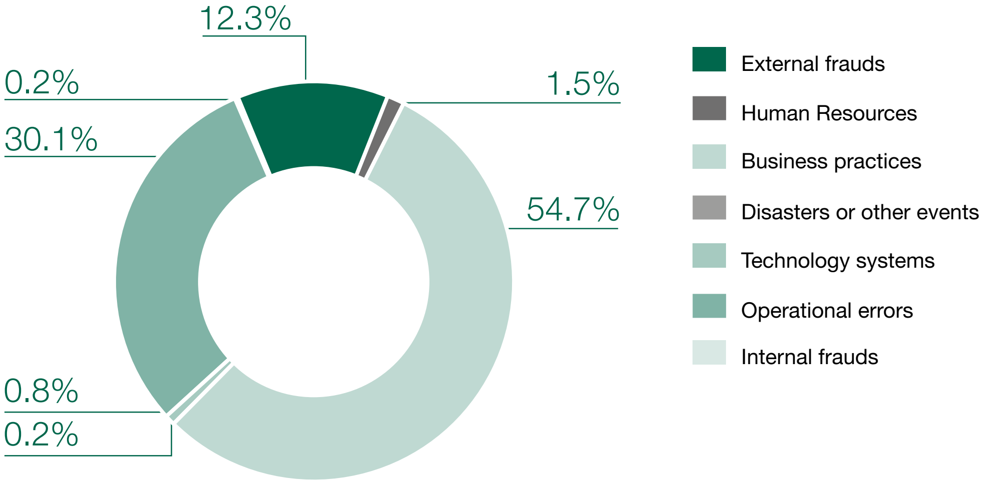
Operational losses, which the model considers as quantitative data, are collected, managed and analyzed, to different levels of granularity and detail, using an event classification scheme complying with the one set by the Basel II Framework, by the Supervisory Authority and by Crédit Agricole S.A. The basic structure is as follows:

- Internal frauds: events due to deliberate acts committed by at least one party internal to the Bank and causing economic loss 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 Suppliers/Providers.

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 collections excluding insurance-related ones) by event type recognized in 2016. Any so-called "boundary losses" have been excluded.



IT systems security

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 (Group) implements and develops the key concepts of the "MESARI Risk Analysis Methodology" of the Parent Company Crédit Agricole SA (C.A.sa), supplementing it, to achieve an overall representation of its risk position, with:

- The definition of the risk taxonomy of the information system
- 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.

In order to enhance Information System (IS) security, the Crédit Agricole SA Group has started a process for the evolution of internal Governance; implementing the relevant indications, in 2016 the Crédit Agricole Italia Banking Group started a project to formally set the structures, roles and responsibilities as required for such evolution.

Specifically, the above evolution involves:

- 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 on the Information System (Italian acronym PRSI);
- The Human Resources and Strategic Marketing Department of the Crédit Agricole Italian Banking Group, with the Chief Information Security Officer (CISO) to be placed within this Department;
- Crédit Agricole Group Solutions, with a new definition of the role as IT Security Manager (RSI – *Responsable de la Sécurité Informatique*) assigned to the Head of the Security Division.

Business Continuity Plan (Italian acronym: PCO)

In 2016, 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 2016, the main activities were:

- Full implementation of the actions to comply with the Supervisory regulations (Bank of Italy Circular No. 285/2013), also as regards the incorporation of the service company within the perimeter of the Crédit Agricole Italia Banking Group ("Crédit Agricole Group Solutions" Consortium);
- Full implementation of the method adopted by the Parent Company CAsa for Business Continuity Management;
- The implementation, on a regular basis, of testing and certification sessions concerning the solutions for the restoration of IT Systems (both mainframe and departmental environments, networks and TLC, Security Control-room) and the critical processes in the business continuity perimeter, including special scenarios of "massive non-availability of servers or workstations (WS)";
- Full implementation of the procedures provided for by the Crisis Management Organizational Model (Italian acronym MOGC) regarding the management of data availability;
- The adequacy assessment and analysis of business continuity plans and of the relevant tests of providers of Outsourced Important Operational Functions (FOIE);
- The updating of the Business impact analysis (BIA);
- The updating of emergency Operational Plans (back-up solutions to be triggered in case of crisis);
- Comparison to third-party solutions (e.g. EBA, Monte Titoli), participating in the simulations of such solutions;

The reliability of the business continuity plan was favourably verified by the departments and divisions engaged in control functions.

In 2016, the specific "BCP Interfunctional Work Groups" continued their activities, in order to share the progress in the relevant activities and to ensure alignment of all corporate structures involved in business continuity.

FOIE – Outsourced Essential Services (called by CAsa PSEE – Provisions of Outsourced Essential Services)

In 2016, the new control regulatory requirements were formally issued and monitoring requirements were updated regarding the management of Outsourced Important Operational Functions (FOIE), pursuant to the supervisory regulations (specifically, Bank of Italy Circular No. 285/2013 as updated). The FOIE/PSEE control function, which is part of the Operational Risks and Permanent Controls Division of the Risk Management and Permanent Controls Department, is responsible for the process governing the outsourcing of essential services and for defining the relevant regulation; it also has specific responsibilities for the control/monitoring phases and for methodological support. The FOIE/PSEE control function chairs and steers the FOIE/PSEE Interfunctional Work Group.

The most important actions concerned:

- The Group's "Outsourcing Policy" and the relating "Regulation Implementing the Group Outsourcing Policy", whose perimeter includes all types of outsourcing, both of which were officially issued at the beginning of 2016 and which:
  - Govern the general process system and – with specific regard to Important Operational Functions (FOI)
  - take account also of the actual experience gained internally, as well as of the System best practices;

- provide for the activities and obligations for the outsourcing of Information Systems;
- lay down the specifications for the outsourcing of cash handling;

- Strong support to the corporate structures in the phases of outsourcing management, aimed both at proper exercise of the process and at wider dissemination of an outsourcing culture;
- The implementation of general monitoring and increasing the awareness of the outsourced service owners as regards their responsibilities, using also:
  - A specific "*Tableau de bord*", managed by the FOIE/PSEE control function and aimed, depending on the respective responsibilities, at acquiring all information and updates required to control compliance of all relationships with vendors (in terms of agreements and performance) with the regulatory guidelines, both Supervisory and corporate ones;
  - A specific "*Tableau de bord*", managed by the Purchasing Division and focused on the outsourced FOI contract agreements, aimed at acquiring all information required to verify full compliance with such contract agreements, detecting and reporting any problems;
  - Regular updating of the permanent controls plan;
  - Systematic exercise of specific activities (e.g. Risk assessment, participation in Work Groups), also in cooperation with the corporate departments and divisions concerned, for direct monitoring of FOIE-related operational risks.

In 2016, the activities of the FOIE/PSEE specific Interfunctional Work Groups continued, mainly aiming at:

- Verifying that the requirements to be deemed essential are met or continue to be met for newly-outsourced or already outsourced services under review, respectively;
- Analyzing and managing the critical situations that actually occurred;
- Increasing awareness of the relevant Corporate Structures in order for them to implement the most suitable solutions to maintain full compliance of all outsourced services they own with the applicable regulations.

The most important results concerned the robustness of contracts with vendors and the consolidation of methods, approaches and culture on this matter, all foreboding satisfactory general quality within the outsourcing of Important Operational Functions (FOI).

Activities of the Validation Service

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 Cariparma and Crédit Agricole FriulAdria. In accordance with the outcomes of the controls performed in 2015 and in the first six months of 2016, the Validation Service is of the opinion that the methods to estimate probability of default (PD) and loss given default (LGD), as well as 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 regulatory capital.

The analyses performed within the follow-up process, at the end of 2015 and as of 30 June 2016, showed 29 actions implemented and 3 actions to be called off since the situation that had originated them no longer applied, for a total of 49 actions underway as at 30 June 2016.

The backtesting analyses carried out on Retail models as at 30 June 2016 confirmed the discriminatory ability of the internal models as detected on the development sample, as well as the conservative feature of the risk parameters that were re-calibrated in 2014. The distribution of the Retail portfolio along the main sociological and financial analysis axes, as well as on the rating scale, was found overall stable. It is to be stressed that the concentration of Customers belonging to the Individuals and Sole Traders sub-segments in the less risky rating grades proved again significant.

The requirement for the use of internally-estimated risk parameters in the management was strengthened with the introduction of the new performance indicator, while the internal controls system was strengthened by adding new verifications to control data quality and correct reclassification of financial statements. Room for improvement was found in the traceability of the information used to calculate acceptance ratings and in the automation of the loan pricing process .

In January 2016, the Validation Service sent its annual report on the controls performed in 2015 and in the first six months of 2016 to the Bank of Italy; this report focused specifically on the rating system used for the Retail segment.

The 2017 Validation Plan, which was submitted to the Board of Directors of Crédit Agricole Cariparma in February 2017, provides for a wide range of activities, of which the following are worth specific mentioning:
- Validation of the model change process for the PD and LGD models used for the Retail portfolio;
- Monitoring of the performances of the PD and LGD models used for the Retail and Corporate portfolios;
- Verification of the relevance of the data input to internal models within loan authorization;
- Analysis of the loan pricing process;
- Monitoring of compliance with the requirements for use in the management of internally-estimated risk parameters on the Retail portfolio.

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 a consistent level of resources in order to be able to cope at any time with the risks undertaken.

B. QUANTITATIVE DISCLOSURES

B.1 Consolidated equity: breakdown by type of enterprise

Consolidated equity as at 31 December 2016 is broken down below:

Equity items	Banking Group	Insurance undertakings	Other companies	Elisions and adjustments from consolidation	Total
Share capital	1,247,731	–	172	–310,065	937,838
Share premium reserve	3,254,580	–	–	–419,183	2,835,397
Reserves	1,033,139	–	–118	79,925	1,112,946
Equity instruments	200,000	–	–	–	200,000
(Treasury Shares)	–5,000	–	–	–	–5,000
Valuation reserves:	–1,451	–	–	–11,090	–12,541
– Financial assets available for sale	30,999	–	–	–11,090	19,909
– Property, plant and equipment	–	–	–	–	–
– Intangible assets	–	–	–	–	–
– Hedging of investments in foreign operations	–	–	–	–	–
– Cash flow hedges	–	–	–	–	–
– Exchange rate differences	–	–	–	–	–
Non-current assets held for sale/disposal groups	–	–	–	–	–
– Actuarial gains (losses) on defined-benefit pension plans	–32,450	–	–	–	–32,450
– Portion of Valuation Reserves on equity investments measured using the equity method	–	–	–	–	–
– Special revaluation laws	–	–	–	–	–
Profit (loss) for the year (+/-) – attributable to Parent and Minority Interests	267,373	–	–14	–48,391	218,968
Equity	**5,996,372**	**–**	**40**	**–708,804**	**5,287,608**

B.2 Reserves from valuation of financial assets available for sale: composition

Assets/Values	Banking Group		Insurance undertakings		Other companies		Elisions and adjustments from consolidation		31.12.2016	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	35,971	–9,117	–	–	–	–	–40	–	35,931	–9,117
2. Equity securities	6,596	–2,258	–	–	–	–	–11,134	84	–4,538	–2,174
3. Units of collective investment undertakings	–	–193	–	–	–	–	–	–	–	–193
4. Loans	–	–	–	–	–	–	–	–	–	–
Total 31.12.2016	**42,567**	**–11,568**	**–**	**–**	**–**	**–**	**–11,174**	**84**	**31,393**	**–11,484**
Total 31.12.2015	**122,072**	**–765**	**–**	**–**	**–**	**–**	**–11,174**	**84**	**110,898**	**–681**

B.3 Reserves from valuation of financial assets available for sale: changes for the year

	Debt securities	Equity securities	Units of collective investment undertakings	Loans
1. Opening balance	**115,775**	**–5,504**	**54**	**–**
2. Increases	**1,581**	**1,222**	**–**	**–**
2.1 Fair value gains	1,581	568	–	–
2.2 Reversal to Income Statement of negative reserves:	–	654	–	–
– for impairment				
– for realization	–	654	–	–
2.3. Other changes	–	–	–	–
3. Decreases	**90,544**	**2,428**	**139**	**–**
3.1 Fair value losses	53,046	2,428	139	–
3.2 Impairment losses	0	0	0	0
3.3 Reversal to Income Statement of positive reserves:	37,498	–	–	–
– for realization				
3.4. Other changes	0	0	0	–
4. Closing Balance	**26,812**	**–6,710**	**–193**	**0**

Section 2 – Own Funds and supervisory requirements for Banks

SCOPE OF APPLICATION OF THE LEGISLATION

Own Funds, minimum capital requirements and the consequent capital ratios were determined on the basis of the provisions of Bank of Italy Circular No. 285 of 17 December 2013 (as updated) “Supervisory provisions for Banks” and Circular No. 286 of 17 December 2013 (as updated) “Instructions for the preparation of reports on Regulatory Capital and capital ratios for banks and securities intermediation firms”.

As at 31 December 2016, the consolidation scope that is relevant for prudential supervision included the Parent Company Crédit Agricole Cariparma S.p.A., Crédit Agricole FriulAdria S.p.A., Crédit Agricole Carispezia S.p.A., the company Crédit Agricole Leasing S.r.l., the company Crédit Agricole Group Solutions S.c.p.a. and the company Crédit Agricole Italia OBG S.r.l.

2.2 BANK OWN FUNDS

QUALITATIVE DISCLOSURES

Common Equity Tier 1 (CET1)

The Common Equity Tier 1 of the Crédit Agricole Italia Banking Group as at 31 December 2016 consisted of high quality components (share capital, share premium reserves, other reserves, minority interests) appropriately adjusted for goodwill, other intangible assets and 60% of excess of expected losses vs. value adjustments (the so-called shortfall, referring to the advanced approach).

Subsequent to the publication in the Official Journal of the European Union of IFRS 9 in November 2016, the Crédit Agricole Italia Banking Group suspended the transitional treatment of unrealised gains and losses on exposures to central governments classified as AFS (pursuant to Regulation (EU) 575/2013, Article 467).

Additional Tier 1 (AT1)

Additional Tier 1 consisted also of the Additional Tier subordinated instrument amounting to Euro 200 million issued by Crédit Agricole Cariparma in December 2016, with the concomitant repayment of the Lower Tier 1 instrument amounting to Euro 120 million issued in 2011.

The other positive elements of Additional Tier 1 include also minority interests, whereas negative ones mainly consist of the transitional impact of 20% of the shortfall.

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Amount value In foreign currency	Book value	Portion that can be included in AT1
Subordinated Loan	29 Dec. 2016	perpetual	repayment option starting from 29 Dec. 2021	3M Euribor + 804 b.p.	Euro	200,000	200,000	200,000

Tier 2 (T2)

As at 31 December 2016, the Tier 2 capital included, among its positive elements, the subordinated deposits issued by Crédit Agricole Cariparma and subscribed by Crédit Agricole SA (to the extent of the residual amount after prudential amortization), minority interests, the excess of value adjustments vs. expected losses, and, among its phase-in negative elements, 20% of the shortfall.

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in foreign currency	Book value	Portion that can be included in Tier 2
Subordinated deposit	17 Dec. 2008	17 Dec. 2018	5 units from 17 Dec. 2014	3M Euribor + 334 b.p.	Euro	250,000	100,101	98,082
Subordinated deposit	30 Mar. 2011	30 Mar. 2021	5 instalments from 30 Mar. 2017	3M Euribor + 220 b.p.	Euro	400,000	400,021	339,726

It is also pointed out that the Tier 2 Capital, among the instruments issued by subsidiaries/ associates and included in the Tier 2, reports the relevant portion of the subordinated loan issued by the subsidiary Crédit Agricole Carispezia on 14 December 2007 and subject to transitional provisions.

Such loan was issued for a nominal value of Euro 30 million, with maturity on 14 December 2017, interest rate equal to 3M Euribor + 30b.p. and is to be repaid in 5 instalments starting from 14 December 2013.

B. QUANTITATIVE DISCLOSURES

Categories/Amounts	31.12.2016	31.12.2015
OWN FUNDS		
A. Common Equity Tier 1 – CET1 prior to the application of prudential filters	4,874,829	4,872,244
of which CET 1 instruments subject to transitional provisions	–	–
B. CET1(+/-) prudential filters	–4,156	–1,462
C. CET1 including deductible elements and the effects of the transitional regime (A+/-B)	4,870,673	4,870,782
D. Elements to be deducted from CET1	2,326,556	2,442,800
E. Transitional regime – Impact on CET1 (+/-), including minority interests subject to transitional provisions	207,988	232,828
F. Total Common Equity Tier 1 – CET1 (C – D +/-E)	2,752,105	2,660,810
G. Additional Tier 1 – AT1 including deductible elements and the effects of the transitional regime	216,512	100,532
of which AT1 instruments subject to transitional provisions	–	84,000
H. Elements to be deducted from AT1	–	–
I. Transitional regime – Impact on AT1 (+/-), including instruments issued by subsidiaries/associates and included in AT1 under transitional provisions	–113,334	–178,139
L. Total Additional Tier 1 – AT1 (G-H+/-I)	103,178	–
M. Tier 2 – T2 including deductible elements and the effects of the transitional regime	462,110	658,333
of which T2 instruments subject to transitional provisions	–	–
N. Elements to be deducted from T2	–	–
O. Transitional regime – Impact on T2 (+/-), including instruments issued by subsidiaries/associates and included in T2 under transitional provisions	–100,675	–165,465
P. Total Tier 2 -T2 (M-N+/-O)	361,435	492,868
Q. Total own funds (F+L+P)	3,216,718	3,153,678

CAPITAL ADEQUACY

QUALITATIVE DISCLOSURES

Compliance with the minimum capital requirements is verified by comparing Own Funds, calculated as reported above, with total risk-weighted assets determined in accordance with Bank of Italy Circular No. 285 of 17 December 2013 (as updated) “Supervisory provisions for Banks” and Circular No. 286 of 17 December 2013 (as updated) “Instructions for the preparation of reports on Regulatory Capital and capital ratios for banks and securities intermediation firms”.

The above ratio shows a Total Capital ratio value that, as at 31 December 2016, ensured full compliance with the thresholds set down by the Supervisory regulations. This performance is also the result to a specific corporate policy that favours, where possible, distribution of earnings to shareholders, also to acknowledge and reward the key role of minority shareholders in maintaining a strong bond with the communities the Group operates in, always in full compliance with the regulatory limits and with the recommendations issued by the Regulator.

B. QUANTITATIVE DISCLOSURES

Categories/Amounts	Non-weighted amounts		Weighted amounts/ requirements	
	31.12.2016	31.12.2015	**31.12.2016**	31.12.2015
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISKS	**53,725,786**	**52,349,564**	**21,397,656**	**20,777,395**
1. Standardized Approach	34,077,374	33,109,995	18,052,367	17,380,305
2. IRB approach	19,648,412	19,239,569	3,345,289	3,397,091
2.1 Foundation	–	–	–	–
2.2 Advanced	19,648,412	19,239,569	3,345,289	3,397,091
3. Securitizations	–	–	–	–
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISKS			**1,711,812**	**1,662,192**
B.2 RISK OF VALUE ADJUSTMENTS OF LOANS			**6,988**	**1,167**
B.3 REGULATORY RISK			**–**	**–**
B.4 MARKET RISKS			**157**	**123**
1. Standardized Approach			157	123
2. Internal models			–	–
3. Concentration risk			–	–
B.5 OPERATIONAL RISK			**211,431**	**207,539**
1. Basic indicator approach			5,517	3,985
2. Standardized approach			205,914	203,554
3. Advanced approach			–	–
B.6 OTHER MEASUREMENT ELEMENTS			**–**	**–**
B.7 TOTAL PRUDENTIAL REQUIREMENTS			**1,930,388**	**1,871,020**
C. EXPOSURES AND CAPITAL ADEQUACY RATIOS				
C.1 Risk-weighted assets			24,129,855	23,387,753
C.2 Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio)			11.4%	11.4%
C.3 Tier 1/Risk-weighted assets (TIER 1 capital ratio)			11.8%	11.4%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			13.3%	13.5%

PART G – BUSINESS COMBINATIONS

In the reporting year, no business combinations were finalized.

PART H TRANSACTIONS WITH RELATED PARTIES

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 framework regulation concerning related parties (Article 2391-bis of the Italian Civil Code, Article 53 of the Italian Consolidated Law on Banking 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 first supervisory reporting was made on 31 March 2013, as required by the Supervisory Authority.

The Crédit Agricole Italia Banking Group had already adopted a Regulation on transactions with related parties implementing the original CONSOB regulation of 2010; on 11 December 2012, in accordance with the regulation issued by the Bank of Italy, Crédit Agricole Cariparma S.p.A. approved the Document "Regulation for Risk Activities and Conflicts of Interests with Parties associated to the Crédit Agricole Italia Banking Group", in order to give the Group a specific internal regulation that amounts to the new body of law on these matters and in order to harmonize the various regulations in force. On 29 July 2014, the above Regulation was updated.

In addition to identifying the related parties of the Crédit Agricole Italia Banking Group, this document lays down prudential limits for risk activities 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 timeframe for the provision of reporting and appropriate documentation on the transactions to be resolved to (i) independent directors, as well as, where necessary, (ii) to the control bodies.

With regard to controls, the required control activities are carried out by different corporate roles, 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 legislation, also pursuing the objective to appropriately prevent and manage potential conflicts of interests in transactions with associated persons.

Related parties

Related parties of the Crédit Agricole Italia Banking Group are:

a) corporate officers, namely the members of the Board of Directors, of the Board of Auditors and of the Senior Management of the Companies in the Group;
b) The shareholder/investor, that is to say, the natural or legal person controlling or exercising significant influence on the company;
c) The person, other than a shareholder/investor, who can appoint, on his/her/its own, one or more members of the body engaged in strategic oversight functions, also based on any agreement whatsoever or clauses of the Articles of Association dealing with or providing for the exercise of the above rights and powers;
d) A company or an enterprise, also set up in a legal form other than that of a company, on which a company of the Group can exercise control or a significant influence;
e) The identified staff.

Connected Persons

Persons connected to a related party are defined as follows:

- Companies or enterprises, also set up in a legal form other than that of a company, which are controlled by a related party;

- Persons controlling a related party among those listed at points *b* and *c* of the relevant definition, that is to say, persons or entities that are directly or indirectly subject to joint control with the same related party;
- Close family members of a related party or the companies or enterprises controlled by the same.

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 single companies belonging to the Group refer to the same perimeter of associated persons as determined by the Parent Company Crédit Agricole Cariparma, without prejudice to any specific sector regulations applicable to the single Companies.

Information on remuneration of senior managers with strategic responsibilities

In the light of the above-mentioned Regulation managers with strategic responsibilities include persons having direct and indirect power and responsibility over the planning, management and control of the Group operations, 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 Shareholders' General Meeting.

	31.12.2016
Short-term employee benefits	13,700
Benefits subsequent to severance from employment	389
Other long-term benefits	–
Employees' severance benefits	–
Share-based payments (Stock options)	–

Information on transactions with related parties

Transactions with related parties are the transfer of resources, services or obligations 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 followed the specific procedures provided for by the above Regulation. In the reporting 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.

TYPE OF RELATED PARTIES	Financial assets held for trading	Financial assets available for sale	Loans to Customers	Loans to Banks	Due to Customers	Due to Banks	Guarantees issued
Controlling Company	–	–	–	3,269,640	–	2,536,470	9,537
Entities exercising significant influence on the Company	–	–	–	–	55,009	–	–
Associates	235	–	24,663	–	8,720	–	35
Directors and Managers with strategic responsibilities	–	–	10,820	–	5,897	–	–
Other related parties	10,463	2,528	3,875,041	608,780	397,074	76,303	72,933
Total	**10,698**	**2,528**	**3,910,524**	**3,878,420**	**466,700**	**2,612,773**	**82,505**

PART I – SHARE-BASED PAYMENTS

QUALITATIVE DISCLOSURES

The Bank has no agreements in place for payments based on its shares.

The share capital increase by the Parent Company Crédit Agricole S.A., in favour of all Employees of the Crédit Agricole S.A. Group was completed in December 2016 with the assignation of shares to Employees. Two possibilities of investment were offered: the *Classique* formula (shares of Crédit Agricole S.A with a 20% discount vs. market value), and the *Multiple* formula (shares of Crédit Agricole S.A with a 20% discount vs. market value in addition to a Stock Appreciation Right or SAR, as investment protection). These shares will be tied for the following five years, at the end of which time each employee may freely dispose of them.

In 2016, 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, as reported in the previous paragraph, amounts to Euro 622 thousand (recognized in 2016).

PART L – SEGMENT REPORTING

Operations and income by business segment

Data relating to operations and income by business segment are given in compliance with IFRS 8 – Operating Segments using the "management reporting approach".

In compliance with the Bank of Italy provisions, segment reporting was prepared using the multiple ITR (internal transfer rate) method, integrating also the cost of liquidity.

The Crédit Agricole Italia Banking Group operates through an organizational structure that includes: Retail and Private Banking channels designed to provide services to individuals, households and small businesses; the Corporate Banking channel designed to provide services to larger-size companies. Therefore, given the features of the Crédit Agricole Italia Banking Group, the Other channel is of a residual nature and includes the activities pertaining to central departments, with specific reference to governance.

Income from the Retail and Private Banking channels came to Euro 1,669 million, increasing by +4.2% YOY, mainly thanks to the net fee and commission income component that performed well in the Wealth Management segment. Net income from trading activities also increased, up by +63.1%. The Corporate Banking Channel posted an increase in total revenues amounting to Euro 304 million, up by 2.5% vs. 2015. Except for a decrease in interest income down by -6%, all the other income items increased: fee and commission income up by +19.3%, operating revenues up by +47.3% and other net operating revenues up by + 64.1%.

As regards expenses, it is pointed out that the YOY performance was impacted also by the recognition of the ordinary contribution to the Deposit Guarantee Scheme (approx. Euro 10 million).

It is pointed out that the Retail and Private Banking Channels performed essentially in line with 2015, and lower provisions for the cost of risk and lower impairment losses on loans were offset by the increase in operating expenses. The Corporate Banking segment posted a decrease in costs (down by -27.6%), thanks to the considerable control on value adjustments of non-performing loans (down by 43%).

Assets by segment (point volumes) mainly consisted of loans to Customers, property, plant and equipment and intangible assets that can be directly allocated to the operating segments. As at 31 December 2016, assets of the Retail and Private Banking channels amounted to Euro 25.7 billion, slightly increasing vs. 31 December 2015 (up by +1.6%). The assets of the Corporate Banking channel decreased (down by -5.8%), vs. 31 December 2015, coming to Euro 12.9 billion.

Liabilities by segment (point volumes) consisted of funding from Customers, which can be directly allocated to the operating segments. Within this aggregate, the Retail and Private Banking channels accounted for Euro 28.3 billion worth of funding, significantly decreasing vs. 31 December 2015. The Corporate Banking channel, with a balance of Euro 7.6 billion, increased by +3.7% vs. 31 December 2015.

It is pointed out that unallocated assets and liabilities report the set of the inter-bank transactions, the covered bond issue, as well as other balance sheet aggregates, such as: unallocated property, plant and equipment/intangible assets, tax assets/liabilities, specific-purpose provisions and equity.

In accordance with IFRS 8, it is reported that the Group business operations are essentially carried out in the Italian national territory, they are not subject to periodic performance reporting to the management breaking down 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 2016

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	752,414	192,880	–70,316	874,978
Net fee and commission income	594,849	90,233	–4,545	680,537
Net profit (loss) on trading activities	6,645	6,649	3,013	16,307
Dividends	–	–	8,742	8,742
Other net operating income (item 90,100,190)	279,564	2,450	27,895	309,909
Total operating income	**1,633,472**	**292,212**	**–35,211**	**1,890,473**
Losses on impairment of loans	–130,851	–90,134	–148	–221,133
Losses on impairment of AFS financial assets and other financial transactions	–	–	75	75
Personnel and administrative expenses and depreciation and amortization	–1,011,753	–64,925	–256,729	–1,333,407
Accruals to provisions for risks	–4,355	–8,042	–4,880	–17,277
Total costs	**–1,146,959**	**–163,101**	**–261,682**	**–1,571,742**
Profit (losses) on equity investments	10,760	603	–1,597	9,766
Impairment on goodwill	–	–	–	–
Profit on disposal of investments	–	–	–244	–244
Profit (loss) by segment	**497,273**	**129,714**	**–298,734**	**328,253**
Unallocated operating expenses	–	–	–	–
Operating margin	–	–	–	–
Share of profit of associates attributable to the Group	–	–	–	–
Net profit before taxes	**497,273**	**129,714**	**–298,734**	**328,253**
Taxes	–168,923	–43,718	103,356	–109,285
Profit for the year	**328,350**	**85,996**	**–195,378**	**218,968**
Assets and liabilities				–
Assets by segment	25,715,249	12,901,734	2,406,000	41,022,983
Equity investments in associates	–	–	10	10
Unallocated assets	–	–	11,969,010	11,969,010
Total assets	**25,715,249**	**12,901,734**	**14,375,020**	**52,992,003**
Liabilities by segment	28,384,103	7,623,337	418,331	36,425,771
Unallocated liabilities	–	–	11,680,488	11,680,488
Total liabilities	**28,384,103**	**7,623,337**	**12,098,819**	**48,106,259**

SEGMENT REPORTING AS AT 31 DECEMBER 2015

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	759,888	195,028	–13,631	941,285
Net fee and commission income	574,281	87,224	10,616	672,121
Net profit (loss) on trading activities	4,110	4,515	1,373	9,998
Dividends	–	–	7,570	7,570
Other net operating income (item 90,100,190)	284,079	1,460	21,644	307,183
Total operating income	**1,622,358**	**288,227**	**27,572**	**1,938,157**
Losses on impairment of loans	–153,077	–157,734	–938	–311,749
Losses on impairment of AFS financial assets and other financial transactions	–	–	–1,983	–1,983
Personnel and administrative expenses and depreciation and amortization	–976,452	–61,322	–234,182	–1,271,956
Accruals to provisions for risks	–7,875	–6,135	1,292	–12,718
Total costs	**–1,137,404**	**–225,191**	**–235,811**	**–1,598,406**
Profit (losses) on equity investments	11,110	516	–836	10,790
Impairment on goodwill		–	–	–
Profit on disposal of investments	–	–	136	136
Profit (loss)	–	–	–	–
Profit (loss) by segment	**496,064**	**63,552**	**–208,939**	**350,677**
Unallocated operating expenses	–	–	–	–
Operating margin	–	–	–	–
Share of profit of associates attributable to the Group	–	–	–	–
Net profit before taxes	**496,064**	**63,552**	**–208,939**	**350,677**
Taxes	–175,360	–22,453	79,168	–118,645
Profit for the year	**320,704**	**41,099**	**–129,771**	**232,032**
Assets and liabilities				–
Assets by segment	25,615,207	12,558,520	1,139,562	39,313,289
Equity investments in associates	–	–	2,583	2,583
Unallocated assets	–	–	12,057,301	12,057,301
Total assets	**25,615,207**	**12,558,520**	**13,199,446**	**51,373,173**
Liabilities by segment	29,310,074	7,352,684	276,829	36,939,587
Unallocated liabilities	–	–	9,510,042	9,510,042
Total liabilities	**29,310,074**	**7,352,684**	**9,786,871**	**46,449,629**

DISCLOSURE OF THE FEES FOR THE AUDIT OF THE ACCOUNTS AND OTHER SERVICES PURSUANT TO THE ITALIAN CIVIL CODE AT ARTICLE 2427, PARAGRAPH 16-*BIS*)

FEES FOR:	31.12.2016
Statutory audit of annual accounts	904
Certification services	65
Other services	525
Total	**1,494**

COUNTRY-BY-COUNTRY REPORTING

Country where the Company is headquartered: ITALY

a) Name of the companies headquartered and nature of their business

Name of the Company	Nature of its business
Crédit Agricole Cariparma 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 Carispezia 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 services
Mondo Mutui Cariparma S.r.l.	Private limited liability company that was incorporated pursuant to the Italian Law on Securitization Transactions and Issue of Covered Bonds; it is currently being used for two securitization transactions
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; it is currently being used for a Covered Bond 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
Italstock S.r.l.	Private limited liability company whose corporate purpose comprises the purchase, exchange/swap, sale and marketing of wine and food products; acquisition of equity investments in the agri– food sector for the achievement of its corporate purpose

b) Revenue

Item (thousands of Euro)	31.12.2016
Net banking income(*)	1,603,497

c) Number of employees

Item	31.12.2016
Number of employees expressed as full-time equivalents	7,939
Number of employees(*)	8,269

d) Profit or loss before taxes

Item (thousands of Euro)	31.12.2016
Profit before taxes on continuing operations(*)	328,253

e) Taxes on profit or loss

Item (thousands of Euro)	31.12.2016
Income taxes for the year on continuing operations(*)	–109,285

f) Public grants received

Item (thousands of Euro)	31.12.2016
Public grants	0

(*) Data source: 2016 Annual Report and Financial Statements of the Crédit Agricole Italia Banking Group

Crédit Agricole Cariparma
2016 Annual Report and Financial Statements

Financial highlights and ratios

Income Statement highlights(°) *(thousands of Euro)*	**31.12.2016**	**31.12.2015**	**Changes**	
			Absolute	**%**
Net interest income	653,595	719,169	–65,574	–9.1
Net fee and commission income	514,940	509,298	5,642	1.1
Dividends	49,885	43,974	5,911	13.4
Profit banking activities	43,370	42,269	1,101	2.6
Other operating income (expenses)	3,222	3,218	4	0.1
Net operating income	1,265,012	1,317,928	–52,916	–4.0
Operating expenses	–752,037	–711,548	40,489	5.7
Operating margin	512,975	606,380	–93,405	–15.4
Provisions for risks and charges	–13,717	–10,721	2,996	27.9
Impairments of loans	–214,275	–284,189	–69,914	–24.6
Profit for the year	205,022	216,501	–11,479	–5.3

Balance Sheet highlights(°) *(thousands of Euro)*	**31.12.2016**	**31.12.2015**	**Changes**	
			Absolute	**%**
Loans to Customers	28,915,280	27,444,047	1,471,233	5.4
Financial assets available for sale	4,177,226	4,414,468	–237,242	–5.4
Net loans to banks	294,973	–670,111	965,084	
Equity investments	1,311,391	1,310,009	1,382	0.1
Property, plant and equipment and intangible assets	1,339,888	1,335,853	4,035	0.3
Total net assets	37,951,161	37,001,393	949,768	2.6
Funding from Customers	31,016,562	30,219,365	797,197	2.6
Indirect funding from Customers	54,900,811	50,971,275	3,929,536	7.7
of which: asset management	20,415,808	18,500,938	1,914,870	10.4
Net Financial Assets/Liabilities held for trading	10,582	9,448	1,134	12.0
Equity	4,947,634	4,774,062	173,572	3.6

Operating structure	**31.12.2016**	**31.12.2015**	**Changes**	
			Absolute	**%**
Number of employees	5,361	5,306	55	1.0
Average number of employees(§)	5,141	5,513	–372	–6.7
Number of branches	546	558	–12	–2.2

(°) Income statement and balance sheet data are those restated in the reclassified financial statements shown on pages 271 and 279.

(§) 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 staff is conventionally weighted at 50%.

(*) 2015 net Loans/Due to banks were reclassified (liability mismatch) for smoothing with 2016 (asset mismatch)

Structure ratios(°)	**31.12.2016**	**31.12.2015**
Loans to customers/Total net assets	76.2%	72.9%
Direct funding from Customers/Total net assets	81.7%	80.2%
Asset management/Total indirect funding from Customers	37.2%	36.3%
Loans to Customers/ Direct funding from Customers	93.2%	90.8%
Total assets/Equity	8.9	8.8

Profitability ratios(°)	**31.12.2016**	**31.12.2015**
Net interest income/Net operating income	51.7%	54.6%
Net fee and commission income/Net operating income	40.7%	38.6%
Cost(*) / income ratio	53.9%	51.6%
Net profit/Average equity (ROE)[a]	4.2%	4.6%
Net profit/Average Tangible Equity (ROTE)[a]	5.4%	6.0%
Net profit/Total assets (ROA)	0.5%	0.5%
Net profit/Risk-weighted assets	1.1%	1.2%

Risk ratios(°)	**31.12.2016**	**31.12.2015**
Gross bad loans/Gross loans to Customers	6.8%	6.5%
Net bad loans/Net loans to Customers	2.9%	2.9%
Impairments of loans/Net loans to Customers	0.7%	1.0%
Cost of risk[b]/Operating margin	44.4%	48.6%
Net bad debts/ Total Capital[c]	22.1%	20.9%
Net non-performing loans/Net loans to Customers	7.2%	7.9%
Total Impairments of non-performing loans/ Gross non-performing loans	42.7%	40.5%

Productivity ratios(°)(in income terms)	**31.12.2016**	**31.12.2015**
Operating expenses/No. of Employees (average)	146.3	129.1
Operating income/No. of Employees (average)	246.1	239.1

Productivity ratios (in financial terms)	**31.12.2016**	**31.12.2015**
Loans to customers/No. of Employees (average)	5,624.4	4,978.3
Direct funding from Customers/No. of Employees (average)	6,033.2	5,481.7
Gross banking income[f]/No. of Employees (average)	22,336.6	19,705.2

Capital ratios	**31.12.2016**	**31.12.2015**
Common Equity Tier 1[d]/Risk-weighted assets (CET 1 ratio)	18.6%	18.8%
Tier 1[e]/Risk-weighted assets (Tier 1 ratio)	19.3%	18.8%
Total Capital[c]/Risk-weighted assets (Total capital ratio)	21.3%	21.8%
Risk-weighted assets (Euro thousands)	17,974,538	17,325,647

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements shown on pages 271 and 279
(*) Net of contributions to the Solidarity Fund and of ordinary/extraordinary to Deposit Guarantee Schemes (DGS) and Single Resolution Fund (SRF)
(a) Ratio of net earnings to equity weighted average (for ROTE net of intangibles).
(b) Total risk cost includes the provision for risks and charges, as well as net value adjustments of loans.
(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 Customers + Direct Funding + Indirect Funding

Management Report

OPERATING PERFORMANCE

In a quite complex economic and regulatory scenario, affected by several uncertainty factors, in 2016, Crédit Agricole Cariparma proved once again able to achieve significant business performances and to maintain high profitability. Total intermediated assets came to Euro 115 billion, increasing by 6% vs. the previous year.

Specifically, total funding increased (up by +6% vs. 2015), also driven by the issue of Euro 1.5 billion worth of Covered Bonds in October 2016, while total loans increased to Euro 29 billion (up by +5% vs. 2015).

In profitability terms, Crédit Agricole Cariparma made a net profit of Euro 205 million. The above figure reports net profit after the recognition of the expenses for the Solidarity Fund and of the extraordinary contribution to the Single Resolution Fund (Euro 37.3 and 18 million before taxes, respectively). Net of these effects, the operating profit would come to Euro 242 million.

THE PERFORMANCE OF BALANCE SHEET AGGREGATES

Reclassification of the Balance Sheet

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

- Presentation of Financial Assets/Liabilities held for trading on a net basis;
- Presentation of Loans to banks/Due to banks on a net basis;
- Inclusion of the value of hedging Derivatives and of the Value Adjustment of financial assets/liabilities subject to macro-hedging in the Other Assets/Other Liabilities items;
- Grouping of Intangible Assets and Property, Plant and Equipment into a single aggregate;
- Inclusion of the item "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;
- 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	31.12.2016	31.12.2015(*)	Changes	
			Absolute	%
Financial assets available for sale	4,177,226	4,414,468	–237,242	–5.4
Net loans to banks	294,973	–670,111	965,084	
Loans to Customers	28,915,280	27,444,047	1,471,233	5.4
Equity investments	1,311,391	1,310,009	1,382	0.1
Property, plant and equipment and intangible assets	1,339,888	1,335,853	4,035	0.3
Tax assets	889,533	969,889	–80,356	–8.3
Other assets	1,022,870	2,197,238	–1,174,368	–53.4
Total net assets	**37,951,161**	**37,001,393**	**949,768**	**2.6**

Liabilities	31.12.2016	31.12.2015	Changes	
			Absolute	%
Net Financial Assets/Liabilities held for trading	10,582	9,448	1,134	12.0
Funding from Customers	31,016,562	30,219,365	797,197	2.6
Tax liabilities	125,349	246,371	–121,022	–49.1
Other liabilities	1,603,854	1,535,466	68,388	4.5
Specific-purpose provisions	247,180	216,681	30,499	14.1
Share capital	876,762	876,762	–	–
Equity instruments	200,000	–	200,000	
Reserves (net of treasury shares)	3,671,199	3,613,437	57,762	1.6
Valuation reserves	–5,349	67,362	–72,711	
Net profit (loss) for the year	205,022	216,501	–11,479	–5.3
Total equity and net liabilities	**37,951,161**	**37,001,393**	**949,768**	**2.6**

(*) 2015 net Loans/Due to banks were reclassified (liability mismatch) for smoothing with 2016 (asset mismatch)

Reconciliation of the official balance sheet and the reclassified balance sheet

Assets	31.12.2016	31.12.2015(*)
Financial assets available for sale	**4,177,226**	**4,414,468**
40. Financial assets available for sale	4,177,226	4,414,468
Net loans to banks	**294,973**	**–670,111**
60. Loans to banks	6,384,763	4,200,736
10. Due to banks	–6,089,790	–4,870,847
Loans to Customers	**28,915,280**	**27,444,047**
70. Loans to Customers	28,915,280	27,444,047
Equity investments	**1,311,391**	**1,310,009**
100. Equity investments	1,311,391	1,310,009
Property, plant and equipment and intangible assets	**1,339,888**	**1,335,853**
110. Property, plant and equipment	305,724	285,330
120. Intangible Assets	1,034,164	1,050,523
Tax assets	**889,533**	**969,889**
130. Tax assets	889,533	969,889
Other assets	**1,022,870**	**2,197,238**
10. Cash and cash equivalents	151,933	1,311,619
80. Hedging derivatives	558,160	511,573
90. Fair value change of financial assets in macro-hedge portfolios (+/–)	5,088	6,620
150. Other assets	307,689	367,426
Total assets	**37,951,161**	**37,001,393**

Liabilities	31.12.2016	31.12.2015(*)
Funding from Customers	**31,016,562**	**30,219,365**
20. Due to Customers	23,426,472	21,465,749
30. Debt securities issued	7,590,090	8,753,616
Net Financial Assets/Liabilities held for trading	**10,582**	**9,448**
40. Financial liabilities held for trading	93,853	109,753
20. Financial assets held for trading	–83,271	–100,305
Tax liabilities	**125,349**	**246,371**
80. Tax liabilities	125,349	246,371
Other liabilities	**1,603,854**	**1,535,466**
60. Hedging derivatives	595,982	507,537
70. Fair value change of financial liabilities in macro-hedge portfolios (+/–)	390,588	385,862
100. Other liabilities	617,284	642,067
Specific-purpose provisions	**247,180**	**216,681**
110. Employee termination indemnities	99,111	97,710
120. Provisions for risks and charges	148,069	118,971
Capital	**876,762**	**876,762**
180. Capital	876,762	876,762
Equity instruments	**200,000**	**–**
150. Equity instruments	200,000	–
Reserves (net of treasury shares)	**3,671,199**	**3,613,437**
160. Reserves	935,195	877,433
170. Share premium reserve	2,736,004	2,736,004
Valuation reserves	**–5,349**	**67,362**
130. Valuation reserves	–5,349	67,362
Net profit (Loss) for the year	**205,022**	**216,501**
200. Net profit (loss) for the year	205,022	216,501
Total liabilities and equity	**37,951,161**	**37,001,393**

(*) 2015 net Loans/Due to banks were reclassified (liability mismatch) for smoothing with 2016 (asset mismatch)

Loans to Customers

As at 31 December 2016, loans to Customers came to Euro 28.9 billion, increasing by +5.4% YOY. This performance was driven by both mortgage loans, which came to Euro 17.6 billion (up by +3.1%), especially "home loans" and by other loans (intended to support businesses). As regards short-maturity technical forms, affected by a still fragile macroeconomic scenario, the Bank's operations focused on advances and credit facilities, and especially on technical forms that allow pricing that is favourable to customers (also based on the fact that the relevant assets are eligible for operations with the ECB).

Credit quality

The development in volumes was achieved constantly focusing on credit quality. In 2016, the weight of non-performing loans on total loans to customers significantly decreased (down from 12.6% to 11.8% as regards especially Unlikely to Pay), thanks to a lower number of positions becoming non-performing; at the same time, the coverage ratio increased (up from 40.5% to 42.7%).

In the reporting period, some sales of NPLs were made (for a total gross amount of approximately Euro 84 million).

Funding from Customers

Giving evidence of Customers' confidence and trust in the Bank, in the reporting period total funding (Euro 86 billion as at 31 December 2016) increased by Euro 4.7 billion vs. 2015 (up by +5.8%), driven both by the direct funding component (up by +2.6%, i.e. Euro +797 million) and especially by the indirect funding component (up by +8%, i.e. Euro +3.9 billion).

The development in direct funding (which, as at 31 December 2016, came to Euro 31 billion) was driven by current accounts whose balances increased to Euro 21.6 billion (up by Euro +2.2 billion vs. 2015, i.e. +11.5%), substantiating Customers' preference for more liquid forms of deposit.

As regards "Debt securities issued", the Group's activities focused on the issue of Covered Bonds, which, thanks to better and better reception by the market, allows funding to be stabilized on long maturities and with advantageous costs: in 2016 the Group placed another Euro 1.5 billion worth of covered bonds (of which Euro 750 million maturing in 8 years at a rate equal to MS+0.25% and Euro 750 million maturing in 15 years, at a rate equal to MS+0.42%). Conversely, unsecured debenture loans decreased: the present low rates have led Customers to prefer products that may have higher yields, especially asset management products.

Indirect funding

At the end of 2016, indirect funding came to Euro 55 billion, posting a marked YOY increase (up by Euro +3.9 billion, i.e. +7.7%). Within this aggregate, the weight of asset management increased (up by Euro +1.9 billion, i.e. +10.4% vs. the end of 2015). The asset management segment increased across both its components (wealth management and insurance products) substantiating investors' preference for these forms. Specifically, wealth management increased by Euro 1.1 billion (+12%), coming to Euro 9.5 billion, and insurance products came to Euro 10.9 billion, increasing by Euro 0.9 billion (+8.6%). Assets under administration also had a positive performance (up by +6.2%).

Financial assets available for sale

The decrease for the year in financial assets available for sale (down from Euro 4.4 billion as at 31 December 2015 to Euro 4.2 billion at the end of 2016) was due to the changes in the portfolio of Italian government securities (which, as at 31 December 2016, accounted for over 95% of total AFS) which was affected both by the evolution in market prices and by the reduction in such portfolio amounts.

Equity investments

The increase in equity investments (up by Euro +1.3 million) mainly reports the increase in the equity investment held in Crédit Agricole FriulAdria (up from 80.17% to 80.33%).

Property, plant and equipment and intangible assets

At the end of 2016, property, plant and equipment and intangible assets came to Euro 1.3 billion, increasing vs. 2015 subsequent to the investments made in the year and mainly referring to the projects provided for by the 2016-2020 Strategic Plan.

The "Intangible Assets" item reports the goodwill and intangible assets that were recognized subsequent to the transfers from the Intesa Sanpaolo Group of 180 branches in 2007 and of 81 branches in 2011. As at the reporting date, the intangible assets relating to the above business combinations were tested for impairment and the consistency of the values as recognized was confirmed.

Specific-purpose provisions

Specific-purpose provisions came to Euro 247 million, increasing by Euro 30 million (up by +14%) vs. 2015. This change mainly regarded the "Other provisions for risks and charges" item, (up by Euro +30 million, i.e. 29.5%) which reports also the provision allocated by Crédit Agricole Cariparma (Euro 37 million) for the liabilities resulting from the voluntary redundancy scheme implemented in 2016.

Equity

Equity, including the earnings for the year, came to Euro 4.9 billion, increasing vs. the previous year by Euro 173 million: the decrease in valuation reserves (down by Euro -72.7 million, mainly due to the changes in AFS reserves on government securities) was more than offset by the issue, at the end of the year, of capital instruments (Additional Tier 1) for Euro 200 million.

Own Funds

As at 31 December 2016, the Common Equity Tier 1 ratio came to 18.6%, slightly decreasing vs. the same figure for the previous financial year (18.8% as at 31 December 2015). The Tier 1 ratio came to 19.3% increasing vs. the same figure for 2015 (18.8%), benefiting from the issue by Crédit Agricole Cariparma of an Additional Tier 1 subordinated instrument for Euro 200 million, an impact that was partially offset by the concomitant repurchase of the Lower Tier 1 instrument for Euro 120 million that was issued in 2011 and included in 2015 own funds for Euro 84 million (grandfathering). The Total Capital ratio came to 21.3%, decreasing vs. the figure as at the end of 2015 (21.8%).

In calculating Own Funds, the developments in the transitional provisions set down by the supervisory regulation for banks (Regulation (EU) No. 575/2013; Circular No. 285 of the Bank of Italy).

As at 31 December 2016, the Common Equity Tier 1 came to Euro 3,351 million, increasing vs. the previous year (Euro 3,263 million), and reports the allocation of earnings as proposed by the Board of Directors to the General Meeting of Shareholders and lower deductions referring to intangible assets for approximately Euro 15 million. Tier 2 capital was calculated taking account of the prudential accumulated amortization of Lower Tier 2 instruments (down by Euro -172 million vs. the end of 2015).

Risk-weighted assets came to Euro 17,975 million, increasing vs. 2015 (up by Euro +649 million, i.e. +3.7%) reflecting the developments in loans to customers and the increase in lending to the companies of the Crédit Agricole Group in Italy.

Loans to Customers

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
– Current accounts	1,665,758	1,892,718	–226,960	–12.0
– Mortgage loans	17,640,280	17,112,617	527,663	3.1
– Advances and credit facilities	7,371,471	6,107,042	1,264,429	20.7
– Non-performing loans	2,077,204	2,171,308	–94,104	–4.3
Loans	**28,754,713**	**27,283,685**	**1,471,028**	**5.4**
Loans represented by securities	160,567	160,362	205	0.1
Loans to Customers	**28,915,280**	**27,444,047**	**1,471,233**	**5.4**

Credit quality

Items	31.12.2016			31.12.2015		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
– Bad debts	2,085,699	1,238,809	846,890	1,882,920	1,096,376	786,544
– Unlikely to Pay	1,485,457	303,583	1,181,874	1,705,203	379,680	1,325,523
– Past-due/overlimit loans	53,967	5,527	48,440	63,081	3,840	59,241
Non-performing loans	3,625,123	1,547,919	2,077,204	3,651,204	1,479,896	2,171,308
Performing loans	26,973,449	135,373	26,838,076	25,434,262	161,523	25,272,739
Total	**30,598,572**	**1,683,292**	**28,915,280**	**29,085,466**	**1,641,419**	**27,444,047**

Items	31.12.2016			31.12.2015		
	Gross exposure	Net exposure weight	Coverage ratio	Gross exposure	Net exposure weight	Coverage ratio
– Bad debts	6.8%	2.9%	59.4%	6.5%	2.9%	58.2%
– Unlikely to Pay	4.9%	4.1%	20.4%	5.9%	4.8%	22.3%
– Past-due/overlimit loans	0.2%	0.2%	10.2%	0.2%	0.2%	6.1%
Non-performing loans	11.8%	7.2%	42.7%	12.6%	7.9%	40.5%
Performing loans	88.2%	92.8%	0.5%	87.4%	92.1%	0.6%
Total	**100.0%**	**100.0%**	**5.5%**	**100.0%**	**100.0%**	**5.6%**

Funding from Customers

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
– Deposits	1,611,291	1,942,231	–330,940	–17.0
– Current and other accounts	21,648,312	19,421,930	2,226,382	11.5
– Other items	166,869	101,588	65,281	64.3
– Repurchase agreements	–	–	–	
Due to Customers	23,426,472	21,465,749	1,960,723	9.1
Debt securities issued	7,590,090	8,753,616	–1,163,526	–13.3
Total direct funding	**31,016,562**	**30,219,365**	**797,197**	**2.6**
Indirect funding	**54,900,811**	**50,971,275**	**3,929,536**	**7.7**
Total funding	**85,917,373**	**81,190,640**	**4,726,733**	**5.8**

Indirect funding

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
– Asset management products/wealth management	9,535,438	8,478,814	1,056,624	12.5
– Insurance products	10,880,370	10,022,124	858,246	8.6
Total assets under management	**20,415,808**	**18,500,938**	**1,914,870**	**10.4**
Assets under Administration	**34,485,003**	**32,470,337**	**2,014,666**	**6.2**
Indirect funding	**54,900,811**	**50,971,275**	**3,929,536**	**7.7**

Financial assets available for sale

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
– Bonds and other debt securities	3,984,824	4,228,267	–243,443	–5.8
– Equity securities and units of collective investment undertakings	356	459	–103	–22.4
Securities available for sale	**3,985,180**	**4,228,726**	**–243,546**	**–5.8**
– Equity investments	192,046	185,742	6,304	3.4
Equity interests available for sale	**192,046**	**185,742**	**6,304**	**3.4**
Net value of the related fair value hedging derivative contracts	**4,177,226**	**4,414,468**	**–237,242**	**–5.4**

Government securities held

	31.12.2016		
	Nominal Value	Book value	Revaluation reserve
FVTPL			
Italian Government securities	2	3	X
AFS			
Italian Government securities	3,419,000	3,984,824	19,755
Total	**3,419,002**	**3,984,827**	**19,755**

Equity

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
Share capital	876,762	876,762	–	–
Share premium reserve	2,736,004	2,736,004	–	–
Income reserves	932,405	875,072	57,333	6.6
Other reserves	2,790	2,361	429	18.2
Equity instruments	200,000	–	200,000	–
Reserves from valuation of available-for-sale financial assets	19,360	89,164	–69,804	–78.3
Reserves from valuation of actuarial gains (losses) relating to defined-benefit pension plans	–24,709	–21,802	2,907	13.3
Net profit for the year	205,022	216,501	–11,479	–5.3
Total (book) equity	4,947,634	4,774,062	173,572	3.6

Own Funds

Regulatory Capital and capital ratios	31.12.2016	31.12.2015
Common Equity Tier 1 (CET1)	**3,350,606**	**3,262,571**
Additional Tier 1 (AT1)	114,983	–
Tier 1 (T1)	**3,465,589**	**3,262,571**
Tier 2 (T2)	362,833	507,409
Total Capital (Own Funds)	**3,828,422**	**3,769,980**
Risk-weighted assets	**17,974,538**	**17,325,647**
of which by credit and counterparty risks and by the risk of value adjustment of the loan	16,077,972	15,434,957
Common Equity Tier 1 ratio	**18.6%**	**18.8%**
Tier 1 ratio	**19.3%**	**18.8%**
Total Capital ratio	**21.3%**	**21.8%**

PROFIT OR LOSS

Income Statement reclassification

In order to present performance more effectively, a summary income statement has been prepared, with appropriate reclassifications so as to report the various items on the basis of consistent operational standards.

The reclassifications concerned the following:

- The recovery of the time value component on loans has been reported under “Net Interest Income” rather than under “Net Impairment Adjustments of Loans”, since it results directly from applying the amortized cost method when there are no changes in expected future cash flows;
- The effect of the amortized cost of hedging of debt instruments has been reported under the “Net Interest Income” item rather than under “Net 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 designated at fair value have been reported under Profit (Loss) on Banking Activities;
- Gains and losses on disposal or repurchase of financial assets available for sale and financial liabilities have been reallocated to Profit (Loss) from Financial 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 the relevant recoveries have been reclassified as Net Value Adjustments of Loans;
- Commission income for fast loan application processing has been taken to “Fee and Commission Income” rather than being recognized under “Other operating income/ expenses”;
- Net adjustments/writebacks on impairment of available-for-sale financial assets have been reclassified under Other Operating Income/Expenses;
- Net losses on impairment of other financial transactions, mainly relating to guarantees and commitments, have been reclassified under “Net value adjustments of loans”.

Reclassified income statement

	31.12.2016	31.12.2015	Changes	
			Absolute	%
Net interest income	653,595	719,169	–65,574	–9.1
Net fee and commission income	514,940	509,298	5,642	1.1
Dividends	49,885	43,974	5,911	13.4
Profit (losses) on financial activities	43,370	42,269	1,101	2.6
Other operating income (expenses)	3,222	3,218	4	0.1
Net operating income	**1,265,012**	**1,317,928**	**–52,916**	**–4.0**
Staff expenses	–429,410	–415,796	13,614	3.3
Administrative expenses	–292,372	–240,439	51,933	21.6
Depreciation of Property, plant and equipment and amortization of intangible assets	–30,255	–55,313	–25,058	–45.3
Operating expenses	**–752,037**	**–711,548**	**40,489**	**5.7**
Net operating margin	**512,975**	**606,380**	**–93,405**	**–15.4**
Net provisions for risks and charges	–13,717	–10,721	2,996	27.9
Impairments of loans	–214,275	–284,189	–69,914	–24.6
Profit (losses) on investments held to maturity and other investments	–195	–1,441	–1,246	–86.5
Profit before tax from continuing operations	**284,788**	**310,029**	**–25,241**	**–8.1**
Profiit taxes for the year on continuing operations	–79,766	–93,528	–13,762	–14.7
Profit (loss) after taxes on discontinuing operations	–	–	–	–
Net profit for the year	**205,022**	**216,501**	**–11,479**	**–5.3**

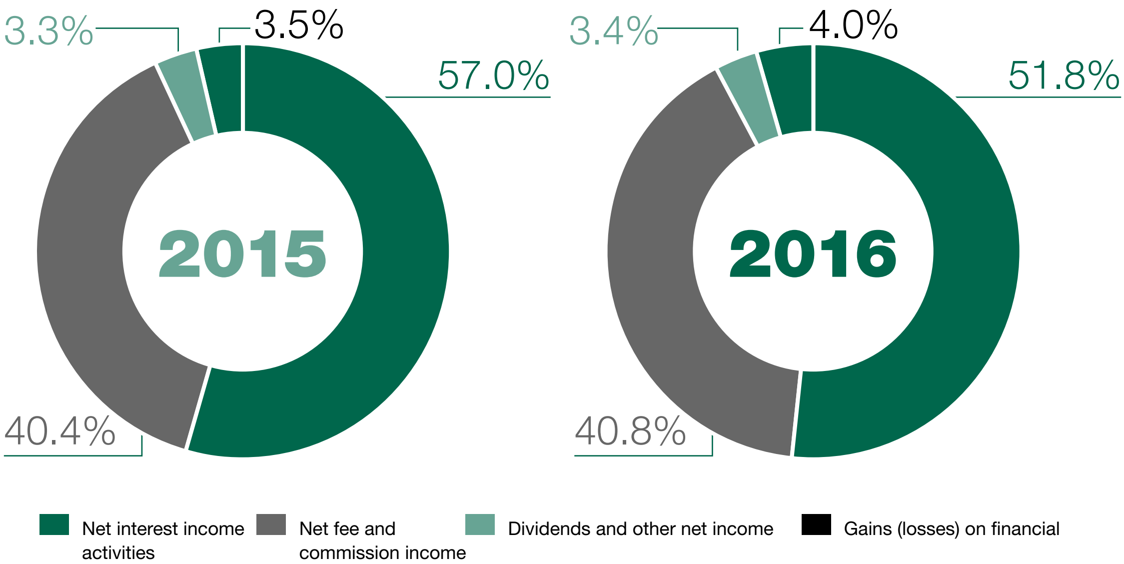
Reconciliation between the Official Income Statement and Reclassified Income Statement

	31.12.2016	31.12.2015
Net interest income	**653,595**	**719,169**
30. Net interest income	612,401	668,411
*90. Net profit (losses) on hedging activities: of which amortized cost effect of **hedging of debt** instruments*	–4,596	–
130. Net losses on impairment of: a) loans of which time value on non-performing loans	45,790	50,758
Net fee and commission income	**514,940**	**509,298**
60. Net fee and commission income	493,908	481,051
190. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	21,032	28,247
Dividends and similar income = item 70	**49,885**	**43,974**
Profit (losses) on banking activities	**43,370**	**42,269**
80. Net profit (losses) on trading activities	9,762	7,171
90. Net profit (losses) on hedging activities	–5,473	–12,459
90. Net profit (losses) on hedging activities: of which amortized cost effect of hedging of debt instruments	4,596	–
100. Profit (losses) on disposal or repurchase of: a) loans of which debt securities classified as loans	–	4
100. Profit (losses) on disposal or repurchase of: b) financial assets available for sale	35,980	49,750
100. Profit (losses) on disposal or repurchase of: d) financial liabilities	–1,495	–1,776
110. Net profit (loss) on financial assets and liabilities designated at fair value	–	–421
Other operating revenues (expenses)	**3,222**	**3,218**
190. Other operating expenses/income	227,850	237,699
to deduct: expenses recovered	–206,792	–211,883
to deduct: recovered expenses for the management of non-performing loans	–6,746	–5,388
to deduct: Commission income from Fast Loan Application Processing	–21,032	–28,247
130. Net losses on impairment of: d) other financial transactions of which Impairments recoveries relating to FITD (Italian Interbank Deposit Protection Fund) actions	259	–
130. Net losses on impairment of: b) financial assets available for sale	–39	–589
210. Gains (Losses) on equity investments of which Price Adjustment for disposal of equity investments	9,722	11,626
Net operating income	**1,265,012**	**1,317,928**
Staff expenses = item 150 a)	**–429,410**	**–415,796**
Administrative expenses	**–292,372**	**–240,439**
150. Administrative expenses: b) other administrative expenses	–511,387	–461,833
190. Other operating expenses/income: of which expenses recovered	206,792	211,883
150. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	12,223	9,511
Depreciation of property, plant and equipment and intangible assets	**–30,255**	**–55,313**
170. Net adjustments to/recoveries on property, plant and equipment	–13,895	–18,249
180. Net adjustments to/recoveries on intangible assets	–16,360	–37,064
Operating expenses	–752,037	–711,548
Operating margin	**512,975**	**606,380**
Impairment on goodwill = item 230	**–**	**–**
Net provisions for risks and charges = Item 160	**–13,717**	**–10,721**
Net impairments on loans	**–214,275**	**–284,189**
100. Profit/Losses on disposal of: a) loans	–16,506	–11,949
to deduct: gains (losses) on disposal or repurchase of debt securities classified as loans	–	–4
130. Net losses on impairment of: a) loans	–146,906	–216,199
130. Net losses on impairment of: a) loans of which time value on non-performing loans	–45,790	–50,758
150. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	–12,223	–9,511
190. Other operating expenses/income: of which recovered expenses for the management of non-performing loans	6,746	5,388
130. Net losses on impairment of: d) other financial transactions	663	–1,156
to deduct: losses/recoveries relating to FITD (Italian Interbank Deposit Protection Fund) actions	–259	–
Profit (losses) on investments held to maturity and other investments	**–195**	**–1,441**
210. Profit (losses) on equity investments	9,702	10,185
to deduct Gains (Losses) on equity investments: of which Price Adjustment on disposal of equity investments	–9,722	–11,626
240. Profit (losses) on disposal of investments	–175	–
Profit (loss) before taxes from continuing operations	284,788	310,029
Taxes on income from continuing operations = item 260	**–79,766**	**–93,528**
Net profit (loss) for the year	**205,022**	**216,501**

Net operating revenues

Net operating income came to Euro 1.3 billion, slightly decreasing vs. the previous year: the decrease in income from intermediation activities with Customers (interest income and fee and commission income) was partially offset by the increase in gains generated by the changes in the government security portfolio.

Income



Net interest income

In a scenario featuring still modest economic growth and interest rates still negative, net interest income came to Euro 654 million, decreasing vs. the previous financial year (-9.1%). This decrease was mainly due to intermediation activities with Customers, especially the changes in spreads. As regards loans, competitive pressure has caused progressive reduction in spreads, both on newly issued ones and on existing ones (renegotiations), with a negative effect on net interest income, which was only partially mitigated by the increase in volumes (especially mortgage loans). The contribution of funding from Customers to net interest income, even though benefiting from the decrease in the cost of forms with longest maturities (thanks to the decrease in volumes of unsecured bond issues with an increase in less burdensome secured bonds), was impacted by the negative change in spreads on demand funding (due to substantial limits to the decrease in interest rates on certain demand funding forms with increasingly negative interest rates).

Net interest income on interbank business, which came essentially in line with 2015, also reports the positive contribution resulting from the Group participation in TLTRO 2.

Interest income from financial assets available for sale decreased (down by -18% YOY) due to the reduction in yields and in the owned portfolio of government securities.

Dividends

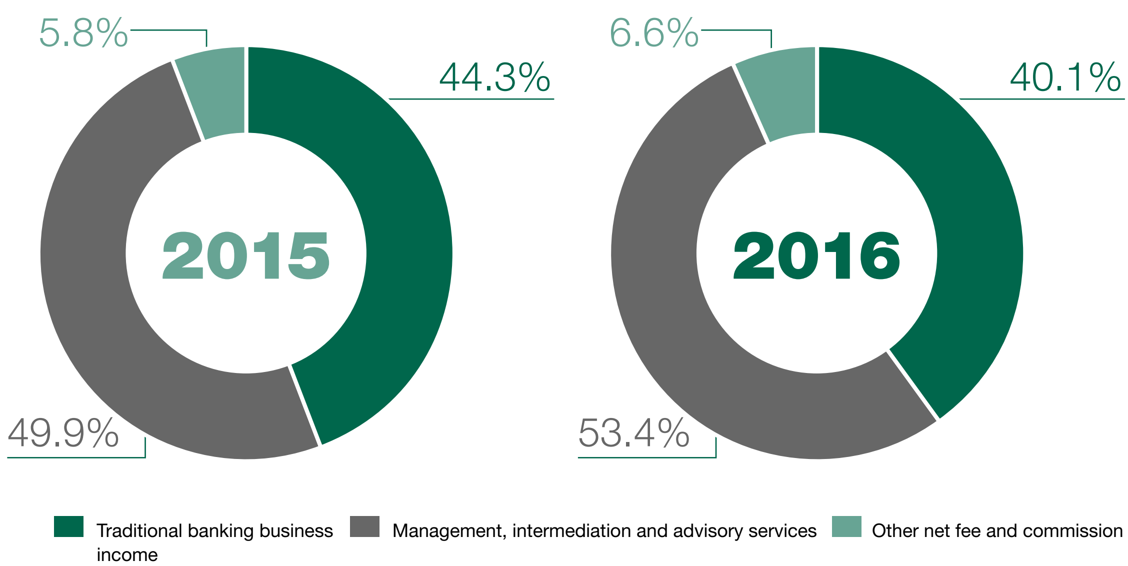
Dividends from shareholdings and equity investments recognized as financial assets available for sale increased in the reporting year, from Euro 44 million to Euro 50 million.

Net fee and commission income

Net fee and commission income, which accounted for 41% of operating income (39% in 2015), came to Euro 515 million, in line with the previous year: the decrease in fee and commission income from the traditional banking business (down by -8.5%) was almost fully offset by the increase in fees and commission income from management, intermediation and advisory services (up by +8.2%). As regards the latter component, the figure reported benefited from the increase in volumes of placed insurance products and consumer credit products (thanks especially to the synergies with the specialist companies of the Crédit Agricole Group, including Agos Ducato – Italy's leading player in the consumer finance business – and Crédit Agricole Assurance and Crédit Agricole Vita – for the insurance business).

The fee and commission income component from traditional banking business decreased, which was mainly due to the decrease in fees and commissions from loan application processing and to account management fees.

Net fee and commission income



Net income on banking activities

The contribution to the Income Statement of net income from banking activities (Euro 43.4 million as at 31 December 2016) significantly increased vs. the previous year (up by Euro +1.1 million).

Other operating revenues (expenses)

The "Other Net Operating Revenues" item came to Euro 3.2 million, increasing vs. 2015 (also thanks to revenues associated with the tax consolidation scheme for the companies of the Crédit Agricole Group in Italy).

Operating expenses

Operating expenses came to Euro 752 million, increasing by Euro 40 million (up by +5.7%) vs. 2015. This increase was essentially due to the expenses resulting from the agreement providing for incentives to voluntary redundancy, which was reached in 2016 by and between the Group and the relevant Trade Unions. This agreement, which entailed a total cost for the Bank of Euro 37 million, provides for voluntary redundancy in 2017 of approximately 212 employees. Moreover, the "Administrative expenses" item reports Euro 26 million worth of ordinary and extraordinary contributions to the Single Resolution Fund (SRF) of Euro 8 and

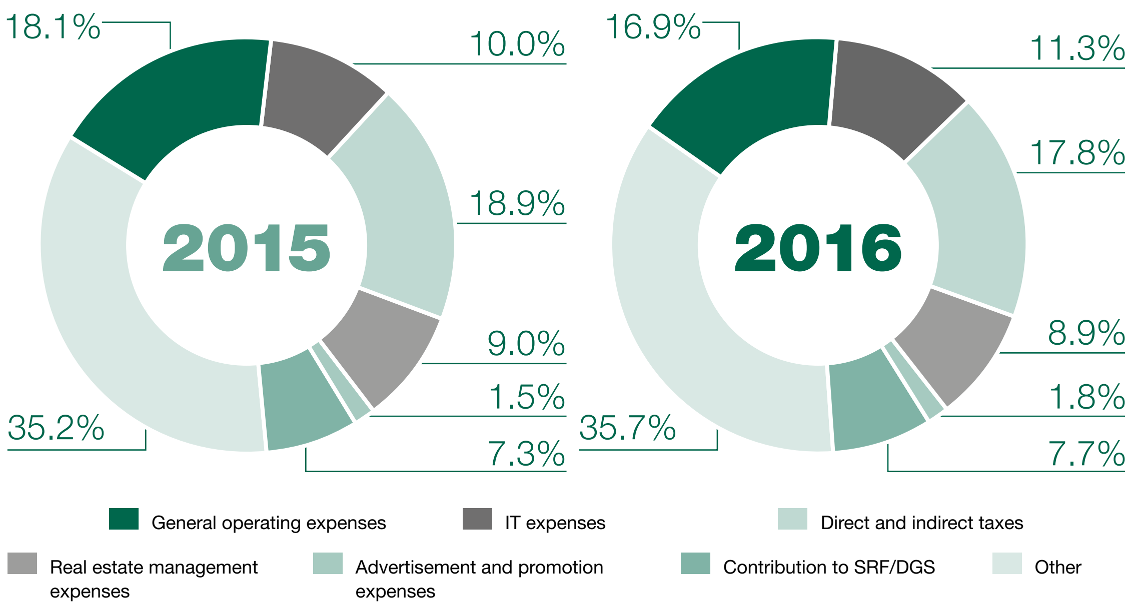
18 million, respectively, and to the Deposit Guarantee Scheme (DGS) of Euro 8 million. In the previous year, these expenses came to Euro 31 million.

The year-over-year comparison of the single expense items is not significant, being invalidated by the incorporation (in September 2015) of the Group Consortium Company, Crédit Agricole Group Solutions ("the Group's service provider"), which entailed a material change in the Bank's cost structure. This generated effects on 2015 only as regards the last four months and on the entire reporting year, thus making the comparison not smooth. Sterilizing the effect of the Consortium incorporation and the contributions to the SRF and to the DGS:

- Staff expenses: net of the Solidarity Fund for voluntary redundancy, this cost component increased (+1%) due to the new projects within the 2016-2020 Strategic Plan (especially the recruitments for the development of "Off-premises Account Managers") and to pay increases as per the relevant contracts
- Other Administrative Expenses: this item decreased (down by -1.6%): the higher costs supporting the Medium Term Plan (including the rebranding launched in 2016) and for staff management were more than offset by the savings on expenses for advisory services and rental expenses;
- Depreciation/amortization: the starting in 2016 of significant investments in real estate property (Euro 41 million) and of the projects within the 2016-2020 Strategic Plan caused this item to increase vs. 2015 (up by +5.7%).

Net of non-recurring expenses (incentives for voluntary redundancy) and non-operating ones (SRF and DGS), the cost/income ratio came to 53.9%, slightly increasing vs. the previous year (up by +2.2%).

Administrative expenses



Net Provisions for risk and charges

Provisions for 2016 came to Euro 13.7 million and consisted mainly of provisions for legal disputes with the Bank as the defendant (Euro 8.7 million).

Impairments on loans

The continuous decrease in the cost of credit had a positive impact on the Group's performance in 2016: indeed, impairments on loans came to Euro 214 million, down by -25% vs. the same figure recognized in the previous year. In percentage terms, the ratio that expresses the cost of credit risk (the ratio of the relevant adjustments taken to the Income Statement to net loans to Customers) decreased to 74 bps vs. 104 bps in the previous year, even with an increase in the coverage ratio of non-performing loans. The decrease in adjustments of Unlikely to Pay positions is pointed out, which, net of recoveries, as at 31 December 2016, came to Euro 73 million (down by Euro -66 million vs. 2015, i.e. -48%).

Profit (loss) before taxes from continuing operations

The profit before taxes from continuing operations came to Euro 285 million, decreasing by Euro 25 million vs. 2015.

Taxes on income from continuing operations

Current taxes and deferred tax liabilities came to Euro 79.8 million, decreasing by Euro 13.8 million vs. the previous year, partly due to the decrease in gross profit and to tax-relevant changes to a lesser extent.

Moreover, a lower amount due for the Italian Regional Tax on Productive Activities (IRAP), because of the tax deduction resulting from the sale of loans.

The tax burden benefited also from the excess provision for taxes allocated in previous financial years amounting to Euro 0.8 million.

Net of the specific taxation on dividends from equity investments, the tax burden came close to 32.7%.

Net profit (loss)

The profit for the year (coming to Euro 205 million) decreased vs. the previous year (down by Euro -11 million, i.e. -5%). Net of non-recurring expenses (Solidarity Fund and extraordinary contribution to the Single Resolution Fund – SRF- of Euro 37.3 million and 18 million before taxes, respectively), the net profit for 2016 would have come to Euro 242 million (with the same figure for 2015 at Euro 228.6 million, thus up by +5.9%)

Comprehensive income

Comprehensive income consists of the profit for the year and of the changes in the value of assets directly recognized in equity reserves. Comprehensive income for 2016 came to Euro 132 million vs. Euro 239 million for the previous year. This was mainly due to the decrease in the valuation reserves of AFS securities of Euro 70 million.

The decrease in the valuation reserves of securities classified as “Financial assets available for sale” was due both to volatility in the credit risk of Italian government securities and to the performance of market prices.

It is pointed out that the inclusion in comprehensive income of the item reporting financial assets available for sale entails strong volatility that must be taken into account when analyzing the table.

Net interest income

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
Business with Customers	539,193	639,109	–99,916	–15.6
Business with banks	5,804	11,003	–5,199	–47.3
Debt securities issued	–110,330	–171,772	–61,442	–35.8
Spreads on hedging derivatives	141,664	144,428	–2,764	–1.9
Financial assets held for trading	8	9	–1	–11.1
Financial assets available for sale	77,136	94,052	–16,916	–18.0
Financial assets designated at fair value	–	2,382	–2,382	
Other net interest income	120	–42	162	
Net interest income	**653,595**	**719,169**	**–65,574**	**–9.1**

Net commission income

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
– guarantees issued	4,188	6,037	–1,849	–30.6
– collection and payment services	29,340	29,687	–347	–1.2
– current accounts	147,896	162,737	–14,841	–9.1
– debit and credit card services	24,954	27,015	–2,061	–7.6
Commercial banking business	**206,378**	**225,476**	**–19,098**	**–8.5**
– securities intermediation and placement	103,012	102,528	484	0.5
– intermediation in foreign currencies	2,902	2,887	15	0.5
– asset management	7,671	4,907	2,764	56.3
– distribution of insurance products	141,126	131,939	9,187	7.0
– other intermediation/management fee and commission income	20,097	11,799	8,298	70.3
Management, intermediation and advisory services	**274,808**	**254,060**	**20,748**	**8.2**
Other net commission income	**33,754**	**29,762**	**3,992**	**13.4**
Total net commission income	**514,940**	**509,298**	**5,642**	**1.1**

Net Income from banking activities

Items	31.12.2016	31.12.2015	Changes	
			Absolute	%
Interest rates	3,915	–68	3,983	
Stocks	663	–	663	
Foreign exchange	3,672	5,402	–1,730	–32.0
Commodities	17	61	–44	–72.1
Total profit (losses) on financial assets held for trading	**8,267**	**5,395**	**2,872**	**53.2**
Total profit (losses) on assets held for hedging	**–877**	**–12,459**	**–11,582**	**–93.0**
Profit (losses) on disposal of financial assets available for sale	**35,980**	**49,750**	**–13,770**	**–27.7**
Net profit (loss) on financial assets and liabilities designated at fair value	**–**	**–421**	**421**	
Profit (losses) on disposal of debt securities classified as loans	**–**	**4**	**–4**	
Profit (loss) from banking activities	**43,370**	**42,269**	**1,101**	**2.6**

Comprehensive income

Items	31.12.2016	31.12.2015
10. Net profit (Loss) for the year	**205,022**	**216,501**
Other comprehenisive income after taxes		
20. Property, plant and equipment	–	–
30. Intangible Assets	–	–
40. Actuarial profit (losses) on defined-benefit plans	–2,907	5,257
50. Non-current assets held for sale	–	–
60. Portion of Valuation Reserves on equity investments measured using the equity method	–	–
Other comprehensive income after taxes		
70. Hedges of investments in foreign operations	–	–
80. Exchange rate differences	–	–
90. Cash flow hedges	–	–
100. Financial assets available for sale	–69,804	16,953
110. Non-current assets held for sale	–	–
120. Portion of Valuation Reserves on equity investments measured using the equity method	–	–
130. Total other comprehensive income after taxes	**–72,711**	**22,210**
140. Comprehensive income (Item 10+130)	**132,311**	**238,711**

Other information

NATIONAL TAX CONSOLIDATION REGIME

Effective since 2013, Crédit Agricole Cariparma and some Italian Companies of its Group, including Crédit Agricole FriulAdria, Crédit Agricole Carispezia, Crédit Agricole Leasing Italia and Crédit Agricole Group Solutions, have adopted the “Italian national tax consolidation regime”, which is governed by Articles 117-129 of the Italian Consolidated Act on Income Taxes (TUIR) and was introduced in the Italian tax legislation with Italian Legislative Decree No. 344/2003.

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.

18 Companies of the Group opted to join the tax consolidation scheme and, having been designated by Crédit Agricole S.A., Crédit Agricole Cariparma has undertaken the role of Consolidating Entity.

This regime provides for the consolidated companies to transfer their taxable income (or their tax loss) to the Controlling Company Crédit Agricole Cariparma, 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.

RESEARCH AND DEVELOPMENT

No research and development activities were performed in the year.

RISKS AND UNCERTAINTIES

The policies for the monitoring, management and control of risks remain key and priority pillars based of which the Banks will have to measure, both against one another and against domestic and international markets.

Reference is made to other sections of the Note to the Financial Statements for exhaustive reporting on the risks and uncertainties which Crédit Agricole Cariparma is exposed to (and on the techniques implemented for their mitigation), while it cannot but be emphasized once more the constant focus that Crédit Agricole Cariparma and its Management have kept on the monitoring of risks and uncertainties, also to comply with the countless recommendations that the national and international Authorities have been issuing on this topic.

Indeed, the governance bodies of Crédit Agricole Cariparma are fully aware that sustainable development and growth absolutely require also an effective analysis of the risks which the Bank is exposed to and of the relating uncertainties, in terms of impacts that these risks could have on Crédit Agricole Cariparma's financial position, cash flows and performance. Effective management and mitigation of the same 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 and drivers of growth) on the other.

The Management believes that the present overall performance of the domestic and international economies (financial and real) is such as to require, in addition to monetary and real policy measures to be adopted by supranational and national bodies (with the purpose of boosting the present weak recovery), also appropriate policies for constant enhancement of the monitoring of risks and uncertainties by financial players, such as the ones implemented by Crédit Agricole Cariparma.

The Management is indeed fully aware that financial players must constantly implement growth and development policies that, at the same time, focus on the safeguarding and protection of the interests of all Stakeholders, without shirking, because of this very reason, the institutional role that Crédit Agricole Cariparma, as such, plays both in terms of support to the economic and social fabric of its Customer Enterprises, and in terms of enhancement of that key factor for development and success which consists in effective and prudential management of savings.

REPORTING ON TRANSACTIONS WITH RELATED PARTIES AND ATYPICAL AND/OR UNUSUAL TRANSACTIONS

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 Risk Assets and Conflict of Interest with Parties associated to the Companies of the Crédit Agricole Italia Banking Group", which was adopted in December 2012 and updated in July 2014, is reported in Part H of the Note to the Financial Statements, to which reference is made. Part H also includes the analysis of any atypical and/or unusual transactions in accordance with the definition given in CONSOB (Italian Securities and Exchange Commission) Regulation No. 11971/99.

THE SOLIDARITY FUND

The "Ambizione Italia 2020" Strategic Plan provides for significant innovations and investments to upgrade the service model to Customers' changed requirements. This objective is being pursued through various IT innovations, through the development of alternative distribution channels and through an appropriate generational turnover and professional conversion.

In this perspective, in 2016 a Group-wide agreement was signed to give the possibility to our employees that will become eligible for pension in the next few years to opt, on for voluntary basis, for early termination of their employment in 2017, receiving incentives, by accessing the Solidarity Fund.

In reasserting the voluntary choice to join this scheme, this important agreement is first of all intended for those colleagues that are going through very significant difficulties in personal or family terms.

As regards Crédit Agricole Cariparma, 212 employees joined this scheme.

In this scope, in order also to fulfil a need for generational turnover, the recruitment of young people has been planned for 2017.

Report on corporate governance and ownership structure – Information pursuant to Article 123-*bis* paragraph 2, letter b) of Italian Legislative Decree No. 58/98 (the Italian Consolidated Act on Finance -TUF)

For the Report on corporate governance and ownership structure, reference is made to the Annual Report and Consolidated Financial Statements of the Crédit Agricole Italia Banking Group.

Proposal to the Shareholders' General Meeting

The Annual Report and Financial Statements for the year from 1 January to 31 December 2016, 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 proposal for the allocation of the net profit amounting to Euro 205,021,525 is as follows:

5% to the legal reserve	10,251,076
to the charity fund	1,300,000
To the shareholders in the amount of €0.13320 to each of the 876,761,620 ordinary shares	116,784,648
To extraordinary reserve	76,685,801

Parma, Italy, 23 March 2017

The Chairman of the Board of Directors
Ariberto Fassati

Statement of compliance of the Annual Report and Financial Statements pursuant to Article 154-*bis* of Italian Legislative Decree 58/1998

CRÉDIT AGRICOLE
CARIPARMA

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 Cariparma 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 2016 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 2016:

   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, 23 March 2017

Giampiero Maioli	Pierre Débourdeaux
Chief Executive Officer	Senior Manager in charge of the preparation of the Company accounting statements

Crédit Agricole Cariparma S.p.A. - Sede Legale Via Università, 1 - 43121 Parma - Telefono 0521.912111

Capitale Sociale euro 876.761.620,00 i.v. - Iscritta al Registro Imprese di Parma, Codice Fiscale e Partita Iva n. 02113530345. 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

EY S.p.A.
Via Meravigli, 12
20123 Milano

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Fax: +39 02 722122037
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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39, DATED 27 JANUARY 2010
(Translation from the original Italian text)

To the Shareholders of Crédit Agricole Cariparma S.p.A.

Report on the financial statements

We have audited the financial statements of Crédit Agricole Cariparma S.p.A., which comprise the balance sheet as at December 31, 2016, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the related explanatory notes.

Directors' responsibility for the financial statements

The Directors of Crédit Agricole Cariparma S.p.A. are responsible for the preparation of these 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 art. 9 of Legislative Decree n. 38, dated 28 February 2005 and art. 43 of Legislative Decree n. 136, dated 18 August 2015.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Crédit Agricole Cariparma S.p.A. as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005 and art. 43 of Legislative Decree n. 136, dated 18 August 2015.

Report on other legal and regulatory requirements

Opinion on the consistency of the Management Report and of specific information of the Reporting on corporate governance and ownership structure with the financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion on the consistency of the Management Report and of specific information of the Reporting on corporate governance and ownership structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the financial statements, as required by the law. The Directors of Crédit Agricole Cariparma S.p.A. are responsible for the preparation of the Management Report and of the Reporting on corporate governance and ownership structure in accordance with the applicable laws and regulations. In our opinion the Management Report and the specific information of the Reporting on corporate governance and ownership structure are consistent with the financial statements of Crédit Agricole Cariparma S.p.A. as at December 31, 2016.

Milan, March 24, 2017

EY S.p.A.
Signed by: Massimiliano Bonfiglio, partner

This report has been translated into the English language solely for the convenience of international readers.

Financial Statements

BALANCE SHEET

Assets		31.12.2016	31.12.2015
10.	Cash and cash equivalents	151,933,344	1,311,618,708
20.	Financial assets held for trading	83,270,749	100,304,730
30.	Financial assets designated at fair value	–	–
40.	Financial assets available for sale	4,177,226,250	4,414,468,148
50.	**Investments held to maturity**	–	–
60.	Loans to banks	6,384,763,230	4,200,735,948
70.	Loans to Customers	28,915,279,823	27,444,046,623
80.	Hedging derivatives	558,160,178	511,573,225
90.	Fair value change of financial assets in macro-hedge portfolios (+/–)	5,088,139	6,620,008
100.	Equity investments	1,311,391,190	1,310,009,335
110.	Property, plant and equipment	305,724,109	285,329,661
120.	Intangible Assets	1,034,163,580	1,050,523,290
	of which: goodwill	922,339,723	922,339,723
130.	Tax assets	889,533,718	969,888,382
	(a) current	254,527,497	304,543,655
	(b) deferred	635,006,221	665,344,727
	b1) pursuant to Italian Law No. 214/2011	575,759,974	618,383,771
140.	Non-current assets held for sale and discontinued operations	–	–
150.	Other assets	307,687,233	367,424,954
Total assets		**44,124,221,543**	**41,972,543,012**

Liabilities and Equity		31.12.2016	31.12.2015
10.	Due to banks	6,089,789,805	4,870,847,126
20.	Due to Customers	23,426,471,642	21,465,748,949
30.	Debt securities issued	7,590,089,999	8,753,615,674
40.	Financial liabilities held for trading	93,853,272	109,752,525
50.	Financial liabilities designated at fair value	–	–
60.	Hedging derivatives	595,981,955	507,536,635
70.	Fair value change of financial liabilities in macro-hedge portfolios (+/–)	390,588,205	385,862,205
80.	Tax liabilities	125,349,299	246,370,900
	(a) current	82,843,406	175,655,622
	b) deferred	42,505,893	70,715,278
90.	Liabilities associated with non-current assets held for sale and discontinued operations	–	–
100.	Other liabilities	617,284,484	642,067,198
110.	Employee severance benefits	99,111,309	97,709,793
120.	Provisions for risks and charges	148,068,783	118,971,115
	(a) Post-employment benefits	16,377,053	17,268,789
	b) other provisions	131,691,730	101,702,326
130.	Valuation reserves	–5,348,700	67,361,566
140.	Redeemable shares	–	–
150.	Equity instruments	200,000,000	–
160.	Reserves	935,194,662	877,432,821
170.	Share premium reserve	2,736,003,683	2,736,003,683
180.	Share capital	876,761,620	876,761,620
190.	Treasury shares (+/–)	–	–
200.	Profit (Loss) for the year	205,021,525	216,501,202
Total liabilities and equity		**44,124,221,543**	**41,972,543,012**

INCOME STATEMENT

Items		31.12.2016	31.12.2015
10.	Interest income and similar revenue	778,686,056	920,632,206
20.	Interest expenses and similar charges	(166,284,878)	(252,221,383)
30.	**Net interest income**	**612,401,178**	**668,410,823**
40.	Fee and commission income	518,042,111	503,890,373
50.	Fee and commission expense	(24,134,328)	(22,839,104)
60.	**Net fee and commission income**	**493,907,783**	**481,051,269**
70.	Dividends and similar revenues	49,884,664	43,974,126
80.	Net profit (losses) on trading activities	9,761,877	7,171,231
90.	Net profit (losses) on hedging activities	(5,473,194)	(12,459,152)
100.	Profit (losses) on disposal or repurchase of:	17,979,376	36,025,600
	a) loans	(16,505,944)	(11,948,666)
	b) financial assets available for sale	35,980,044	49,749,795
	c) investments held to maturity	–	–
	d) financial liabilities	(1,494,724)	(1,775,529)
110.	Net profit (loss) on financial assets and liabilities designated at fair value	–	(421,346)
120.	**Net interest and other banking income**	**1,178,461,684**	**1,223,752,551**
130.	Net losses/recoveries on impairment of:	(146,282,969)	(217,944,454)
	a) loans	(146,906,062)	(216,199,698)
	b) financial assets available for sale	(39,424)	(588,734)
	c) investments held to maturity	–	–
	d) other financial activities	662,517	(1,156,022)
140.	**Net income from banking activities**	**1,032,178,715**	**1,005,808,097**
150.	Administrative expenses:	(940,796,771)	(877,628,831)
	a) Staff expenses	(429,410,058)	(415,796,023)
	b) other administrative expenses	(511,386,713)	(461,832,808)
160.	Net provisions for risks and charges	(13,717,152)	(10,721,010)
170.	Impairments/recoveries on property, plant and equipment	(13,894,930)	(18,249,273)
180.	Impairments/recoveries on intangible assets	(16,359,710)	(37,063,288)
190.	Other operating expenses/income	227,849,901	237,698,816
200.	**Operating expenses**	**(756,918,662)**	**(705,963,586)**
210.	Profit (losses) on equity investments	9,701,864	10,185,001
220.	Net profit (losses) from property, plant and equipment and intangible assets designated at fair value	–	–
230.	Impairment on goodwill	–	–
240.	Profit (losses) on disposal of investments	(174,600)	–
250.	**Profit (loss) before taxes from continuing operations**	**284,787,317**	**310,029,512**
260.	Taxes on income from continuing operations	(79,765,792)	(93,528,310)
270.	**Profit (loss) from continuing operations, net of taxes**	**205,021,525**	**216,501,202**
280.	**Profit (loss) from discontinuing operations, net of taxes**	–	–
290.	**Net profit (Loss) for the year**	**205,021,525**	**216,501,202**

STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2016	31.12.2015
10.	**Profit (Loss) for the year**	**205,021,525**	**216,501,202**
	Other comprehensive income after taxes with not reversed in profit or loss		
20.	Property, plant and equipment	–	–
30.	Intangible Assets	–	–
40.	Actuarial profit (losses) on defined-benefit plans	(2,906,352)	5,257,126
50.	Non-current assets held for sale	–	–
60.	**Portion of Valuation Reserves on equity investments measured using the equity method**	–	–
	Other comprehensive income after taxes reversed in profit or loss		
70.	Hedges of net investments in foreign operations	–	–
80.	Exchange rate differences	–	–
90.	Cash flow hedges	–	–
100.	Financial assets available for sale	(69,803,914)	16,952,625
110.	Non-current assets held for sale	–	–
120.	Portion of Valuation Reserves on equity investments measured using the equity method	–	–
130.	**Total other comprehensive income after taxes**	**(72,710,266)**	**22,209,751**
140.	**Comprehensive income (Item 10+130)**	**132,311,259**	**238,710,953**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2016

	Capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	equity instruments	Profit (Loss) for the year	Equity
			Retained earnings	other				
EQUITY AS AT 31.12.2015	876,761,620	2,736,003,683	875,071,910	2,360,911	67,361,566	–	216,501,202	4,774,060,892
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR								
Reserves	–	–	57,333,406	–	–	–	–57,333,406	–
Dividends and other allocations	–	–	–	–	–	–	–159,167,796	–159,167,796
CHANGES FOR THE YEAR						–		–
Changes in reserves	–	–	–	–	–	–	–	–
Transactions on equity						–		–
Issue of new shares	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	–	–	–	–	–
Extraordinary dividend distribution	–	–	–	–	–	–	–	–
Change in equity instruments	–	–	–	–	–	200,000,000	–	200,000,000
Derivatives on treasury shares	–	–	–	–	–	–	–	–
Shares and rights on shares of the Parent Company assigned to employees and directors	–	–	–	428,435	–	–	–	428,435
Comprehensive income	–	–	–	–	–72,710,266	–	205,021,525	132,311,259
EQUITY AS AT 31.12.2016	**876,761,620**	**2,736,003,683**	**932,405,316**	**2,789,346**	**–5,348,700**	**200,000,000**	**205,021,525**	**4,947,632,790**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2015

	Capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	equity instruments	Profit (Loss) for the year	Equity
			Retained earnings	other				
EQUITY AS AT 31.12.2014	876,761,620	2,736,003,683	836,385,317	2,360,911	45,151,815	–	138,050,480	4,634,713,826
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR								
Reserves	–	–	38,686,593	–	–	–	–38,686,593	–
Dividends and other allocations	–	–	–	–	–	–	–99,363,887	–99,363,887
CHANGES FOR THE YEAR								
Change in reserves	–	–	–	–	–	–	–	–
Transactions on equity								–
Issue of new shares	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	–	–	–	–	–
Extraordinary dividend distribution	–	–	–	–	–	–	–	–
Change in equity instruments	–	–	–	–	–	–	–	–
Derivatives on treasury shares	–	–	–	–	–	–	–	–
Shares and rights on shares of the Parent Company assigned to employees and directors	–	–	–	–	–	–	–	–
Comprehensive income	–	–	–	–	22,209,751	–	216,501,202	238,710,953
EQUITY AS AT 31.12.2015	**876,761,620**	**2,736,003,683**	**875,071,910**	**2,360,911**	**67,361,566**	**–**	**216,501,202**	**4,774,060,892**

STATEMENT OF CASH FLOWS

		31.12.2016	31.12.2015
A.	**OPERATIONS**		
1.	**Cash flow from (used in) operations**	**647,178,792**	**765,907,274**
–	profit (Loss) for the year (+/-)	205,021,525	216,501,202
–	profit (losses) on financial assets held for trading and on financial assets/ liabilities designated at fair value (+/–)	–1,318,733	–3,037,248
–	profit/losses on hedging activities (+/–)	11,904,523	30,418,141
–	Net losses/recoveries on impairment (+/–)	125,543,085	202,419,537
–	net adjustments of/recoveries on property, plant and equipment and intangible assets (+/–)	30,254,640	55,312,561
–	provisions and other income/expenses (+/–)	13,717,152	10,721,010
–	unpaid taxes and tax credits (+)	79,765,792	93,528,310
–	other adjustments (+/–)	182,290,808	160,043,761
2.	**Cash flow from (used in) financial assets**	**–3,678,655,508**	**1,034,377,806**
–	financial assets held for trading	18,352,714	101,266,459
–	financial assets designated at fair value	–	15,972,307
–	financial assets available for sale	228,329,273	425,379,947
–	loans to banks: demand	–101,942,268	14,260,135
–	loans to banks: other loans	–2,082,085,014	–177,705,946
–	loans to customers	–1,607,386,673	647,659,587
–	other assets	–133,923,540	7,545,317
3.	**Cash flow from (used in) financial liabilities**	**1,817,301,526**	**–572,096,745**
–	due to banks: demand	–18,840,766	–296,094,507
–	due to banks: other due and payables	1,237,783,445	–1,763,140,162
–	due to customers	1,960,722,693	2,833,909,731
–	debt securities issued	–1,133,887,943	–933,082,504
–	financial liabilities held for trading	–15,899,253	–98,253,853
–	other liabilities	–212,576,650	–315,435,450
Net cash flow from (used in) operating activies		**–1,214,175,190**	**1,228,188,335**
B.	**INVESTING ACTIVITIES**		
1.	**Cash flow from**	**50,291,940**	**40,523,192**
–	sales of equity investments	300,000	11,079,000
–	dividends received on equity investments	49,884,664	43,974,126
–	sales of property, plant and equipment	107,276	–
–	sales of business units	–	–14,529,934
2.	**Cash flow used in**	**–36,634,318**	**–51,769,023**
–	purchases of equity investments	–1,701,855	–20,000
–	purchases of property, plant and equipment	–34,932,463	–33,479,949
–	purchases of intangible assets	–	–18,269,074
Net cash flow from (used in) investment activities		**13,657,622**	**–11,245,831**
C.	**FUNDING ACTIVITIES**		
–	issues/purchases of equity instruments	200,000,000	–
–	distribution of dividends and other scope	–159,167,796	–99,363,887
Net cash flow from (used in) funding		40,832,204	–99,363,887
NET LIQUIDITY INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		–1,159,685,364	1,117,578,617

RECONCILIATION

Financial Statement items	31.12.2016	31.12.2015
Cash and cash equivalents at the beginning of the year	1,311,618,708	194,040,091
Net increase (decrease) in cash and cash equivalents	–1,159,685,364	1,117,578,617
Cash and cash equivalents at the end of the year	151,933,344	1,311,618,708

KEY: (+) generated (–) absorbed

Note to the Financial Statements

PART A – ACCOUNTING POLICIES

A.1 General part

Section 1 – Statement of compliance with the International Accounting Standards

The Annual Report and Financial Statements of Crédit Agricole Cariparma have been prepared pursuant to Italian Legislative Decree No. 38 of 28 February 2005, in accordance with the International Accounting Standards – IAS/IFRS – 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 2016 (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 layouts of the financial statements and of the note to the financial statements have been prepared in accordance with the provisions set down in Circular No. 262 “Banks’ financial statements: layout and preparation” issued by the Bank of Italy on 22 December 2005, within the exercise of its powers as provided for in Article 9 of Italian Legislative Decree No. 38/2005, and, in accordance with its updates of 18 November 2009, 21 January 2014 and 15 December 2015.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND ENTERED INTO FORCE IN 2016

Standards, amendments or interpretations	Date of publication	Date of first application
Amendments to IAS 16 – Property, Plant and Equipment	24 Nov. 2015 (EU No. 2113/2015)	1 January 2016
Amendment to IAS 41 – Agriculture	24 Nov. 2015 (EU No. 2113/2015)	1 January 2016
Amendments to IAS 1 Presentation of Financial Statements, IAS 17 Leases , IAS 23 Borrowing Costs, IAS 36 Impairment of Assets and IAS 40 Investment Property	24 Nov. 2015 (EU No. 2113/2015)	1 January 2016
Amendments to IFRS 11 Joints Arrangements	25 Nov. 2015 (EU No. 2173/2015)	1 January 2016
Amendments to IAS 16 – Property, Plant and Equipment	3 Dec. 2015 (EU No. 2231/2015)	1 January 2016
Amendment to IAS 38 Intangible Assets	3 Dec. 2015 (EU No. 2231/2015)	1 January 2016
Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosure, IAS 19 Employee Benefits, IAS 34 Interim Financial Reporting and IFRS 1 First-time Adoption of International Financial Reporting Standards	16 Dec. 2015 (EU No. 2343/2015)	1 January 2016
Amendments to IAS 1 – Presentation of Financial Statements.	19 Dec. 2015 (EU No. 2406/2015)	1 January 2016
Amendments to IAS 34 Interim Financial Reporting	19 Dec. 2015 (EU No. 2406/2015)	1 January 2016
Amendment to IFRS 7 – Financial instruments	19 Dec. 2015 (EU No. 2406/2015)	1 January 2016
Amendments to IFRS 1 – First-time adoption of International Financial Reporting Standards	23 Dec. 2015 (EU No. 2441/2015)	1 January 2016
Amendments to IAS 27 – Separate Financial Statements	23 Dec. 2015 (EU No. 2441/2015)	1 January 2016
Amendments to IAS 28 – Investments in Associates and Joint Ventures.	23 Dec. 2015 (EU No. 2441/2015)	1 January 2016
Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures	23 Sept. 2016 (EU No. 1703/2016)	1 January 2016

The application of these new provisions did not generate material impacts on the profit (loss) and net financial position for the year.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION IN 2016 BUT NOT YET ENTERED INTO FORCE

Standards, amendments or interpretations	Date of publication	Date of entry into force
IFRS 15 Revenue from Contracts with Customers	29 Oct. 2016 (EU No. 1905/2016)	1 January 2018
IFRS 9 Financial instruments	29 Nov. 2016 (EU No. 2067/2016)	1 January 2018

IFRS 15 Revenue from Contracts with Customers

IFRS 15 “Revenue from Contracts with Customers” will be effective for annual periods beginning on or after 1 January 2018 (in accordance with Regulation (EU) 2016/1905). The amendment “Clarifications to IFRS 15”, which provides further specifications on the standard implementation, is currently being endorsed by the European Union and should enter into force on the same date.

On its fist-time adoption of this standard, the Crédit Agricole Italia Banking Group has opted for the modified retrospective transition approach, recognizing the cumulative effects as at 1 January 2018, with no comparative for 2017, and reporting any impacts generated by the standard application on the various financial statement items in an annex.

IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 Revenue , as well as all related interpretations, namely IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

IFRS 15 is a single text grouping the standards for recognition of revenue from construction contracts and from sales of goods and services, which do not fall within the scope of application of the standards concerning financial instruments (IAS 39), insurance contracts (IFRS 4) or leases (IAS 17). It implements some new concepts, which could change recognition of some items within the net banking income.

An impact analysis standard of the implementation of this standard by the Crédit Agricole Italia Banking Group is underway; the first results are expected in the first half of 2017. At present, no significant impacts are expected on the profit (loss) of the Crédit Agricole Italia Banking Group.

IFRS 9 Financial Instruments

Effective on 1 January 2018, IFRS 9 "*Financial Instruments*" will replace IAS 39 "*Financial Instruments*". It was endorsed by the European Union on 22 November 2016 and published in the Official Journal of the European Union on 29 November 2016.

IFRS 9 sets down new principles for classification and measurement of financial instruments, for credit risk measurement (Impairment) and hedge accounting, excluding macro-hedging.

The main changes implemented by the standard

Classification and measurement of financial assets

In accordance with IFRS 9, classification and measurement depend on the nature (i.e. cash flow characteristics) of the specific financial assets to be recognized, be they debt instruments (i.e. loans, advances, credit claims, bonds, fund units) of capital instruments (i.e. shares).

To classify and measure debt instruments (*loans and securities with fixed or determinable revenues*) recognized as financial assets, IFRS 9 is based on business models and on the analysis of the contractual characteristics.

– The standard provided for three business models:
- The *Collect business model*, whose objective is to collect, i.e. to hold financial assets in order to collect contractual cash flows over the instrument useful life;
- The *Collect & Sell business model*, whose objective is achieved by both collecting contractual cash flows and selling financial assets, should the latter opportunity arise;
- The *Sell business model*, whose objective is to sell the assets.

– The contractual characteristics ("*Solely Payments of Principal & Interests*" or "*SPPI*" test):

This second required verification concerns the contractual characteristics of the loan or debt securities to assess the final eligibility of the instrument, within the above-reported business models and, subsequently, in the relevant accounting category.

When expected cash flows from a debt instrument reflect not solely principal and interest (*i.e.* pure remuneration of the principal amount outstanding by applying a simple interest rate), the instrument's contractual characteristics are considered complex and, this being the case, the loan or debt security shall be measured at *fair value through profit or loss* (FVTPL), irrespective of the business model. Cases referring to instruments that do not meet the conditions of the "solely payments of principal and interest on the principal amount outstanding" test "*SPPI*".

As regards this aspect, some interpretations are still being studied by the IASB.

Therefore, the Crédit Agricole Italia Banking Group is closely following the topics dealt with by the IASB, especially regarding some penalties for early repayment (i.e. prepayment), and assessing the relevant conclusions.

Based on the above criteria:

- A debt instrument is measured at amortised cost upon condition that it is held to collect future cash flows from it, granted full compliance with the *SPPI test*.
- A debt instrument is measured at "fair value through other comprehensive income with recycling" (FVOCIR) upon condition that it falls within a holding to collect contractual cash flows and selling according to the opportunities and upon conditions that it passes the *SPPI* test.
- A debt instrument that is not eligible for the category measured at amortized cost or at fair value through other comprehensive income with recycling shall be measured at *fair value through profit or loss* (FVTPL). This regards units in standalone collective investment undertakings (OICR), which are considered debt instruments not complying with the *SPPI* test, irrespective of the business model. This classification applies also to debt instruments which the Sell business model applies to.

Equity instruments (equity investments) shall be measured at *fair value through profit or loss* (FVTPL) except where the irrevocable option is exercised allowing them to be measured at *fair value through other comprehensive income with no recycling* (FVOCINR), once having determined that these instruments are not held for trading.

In short, the application of the IFRS 9 classification and measurement rules should cause an increase in financial instruments measured at *fair value through profit or loss* (mainly OICR and own funds instruments). Approximately, existing loans and debts should comply with the SPPI test and, consequently, shall remain measured at amortized cost (the reference business model for these instruments will remain the Hold- to-collect one).

Impairment

IFRS 9 provides for a new impairment model requiring the recognition of Expected Credit Losses (*ECL*), i.e. expected losses on loans, credit claims and debt instruments measured at amortized cost or at fair value though other comprehensive income with recycling, on loan commitments, financial guarantee contracts not measured at *fair value*, on lease receivables and trade receivables.

The *ECL* new requirements are designed to result in earlier recognition of credit losses, since IAS 39 provides for recognition upon occurrence of an objective loss event.

The standard defines *ECLs* as "the weighted average of credit losses with the respective risks of a default occurring as the weights", in other words, the expected present discounted value of credit losses (principal and interest). It is the present value of the difference between contractual cash flows and expected ones (including principal and interest).

The calculation formula combines the probability of default (*PD*), Loss Given Default (*LGD*) and Exposure At Default (*EAD*) parameters.

IFRS 9 requires an analysis on the closing date (Point-in-Time analysis), taking account of historical loss experience and forward-looking information, including macroeconomic factors; conversely, the same parameters estimated for prudential purposes refer to a “Through-The-Cycle” probability of default (PD), whereas the downturn in the economic cycle is considered for the Loss Given Default (LGD).

Moreover, the accounting approach requires some Basel parameters to be recalculated, especially to neutralize internal recovery costs or the floors set down by the Regulator in the regulatory calculation of the Loss Given Default (LGD).

The new credit risk impairment model is based on three “buckets”:
- First bucket: from the initial recognition of the instrument (loan, debt security, guarantee), the entity shall recognize expected credit losses over 12 months;
- Second bucket: afterwards, if credit quality significantly deteriorates for a transaction or a homogeneous portfolio, the entity shall recognize the expected losses over the instrument’s residual life;
- Third bucket: when one or more default events occur on the transaction or on the counterparty, determining a negative effect on expected cash flows, the entity shall recognize a credit loss calculated on the instrument’s residual life.

As regards the second bucket, any significant increase in credit risk can be monitored and estimated based on a single transaction or on a portfolio grouping financial instruments in accordance with common credit risk features. This approach is based on the use of a wide set of information, including historical loss experience data, cyclical and structural adjustments, as well as on loss projection determined starting from reasonable scenarios.

The assessment of a significant increase in credit risk depends on the level of risk measured on the date of initial recognition and shall be detected before the transactions becomes non-performing (third bucket).

In order to assess significant deterioration, Crédit Agricole Cariparma has joined in the Crédit Agricole S.A. Group process, which is based on two levels of analysis:
- The first level depends on absolute and relative rules and criteria imposed on the entities of the Group;
- The second level is linked to local assessment of risk qualitative criteria proposed by the Group on its portfolios, which could lead to the worsening of the deterioration criteria as defined at the first level (a portfolio or sub/portfolio downgraded to the second bucket applying the lifetime *ECL*).

As regards the perimeter of instruments that shall be classified in the third bucket, the Group will align its definition of default to the one presently use for regulatory purposes.

In this way, a debtor will be considered defaulted if one of the two conditions here below is met:
- Payment delayed generally by more than ninety days, except in case of specific circumstances proving that such delay is due to causes not linked to the debtor’s situation;
- The need to enforce guarantees to full settlement of the debtor’s obligations.

In short, the new impairment model pursuant to IFRS 9 could lead to an increase in the amount of impairment losses on loans and securities recognized at amortized cost or at *fair value through other comprehensive income with recycling*, and on off-balance-sheet commitments, as well as on lease receivables and trade receivables.

Hedge accounting

As regards Hedge accounting (– excluding fair value macro-hedges), IFRS 9 has implemented limited developments vs. IAS 39. The provisions of the standard shall apply to the perimeter given below:

- Micro-hedging;
- Cash flow macro-hedging.

For the time being, interest rate risk macro-hedging is not included in IFRS 9 and is expected to still be governed by IAS 39.

However, upon first adoption of IFRS 9, two options are possible:

- Adopting the Hedge accounting rules provided for by IFRS 9;
- Continuing to use IAS 39 up to the adoption of IFRS 9 for the set of hedges (at the latest until the standards text dedicated to interest rate risk macro-hedging is endorsed by the European Union).

In accordance with the decision made by the Group, Crédit Agricole Cariparma will not apply this set of rules provided for by IFRS 9. Exhaustive reporting on risk management and on the effects of hedge accounting shall be given in an annex to the Annual Report and Financial Statements.

The project for the implementation of the new standard within the Crédit Agricole Italia Banking Group

The Crédit Agricole Italia Banking Group has fully joined the project started by the Crédit Agricole S.A. Group for the implementation of the new standard; therefore, it has made the internal arrangements required to implement IFRS 9 within the set term, with the involvement of and the cooperation given by the structures engaged in accounting, finance, risk management, credit, marketing and IT functions.

The steps of the project and the milestones achieved to date.

In the first half of 2015, works focused on:

- The analysis of the provisions set down by the standard, with specific focus on the changes generated by the new criteria for classification and measurement of financial assets and by the changes to the credit impairment model, which requires entities to recognize lifetime expected credit losses (ECL) rather than incurred losses;
- The identification of key questions and of the main accounting interpretation topics starting from its own simulations of the standard application impact.

After this analysis and assessment phase, Crédit Agricole Cariparma participated in the project implementation phase starting in September 2015.

Moreover, since the beginning of 2016, Crédit Agricole Cariparma has participated in the main projects of the Group concerning:

- Regulatory projects, identifying the main impacts on the balance sheet and the setting of the target impairment process of the Group, which resulted in the preparation of a common methodological framework;
- The methodological projects for the definition of the possible options regarding the formula to calculate impairment, significant deterioration and the forward-looking;
- The IT projects, with the forecast of significant impacts on information systems, entailing the upgrading of Risk Management and Finance tools; significant choices have been requested on shared tools, such as: i. a central engine for impairment calculation and ii. a tool for the analysis of contractual characteristics allowing the industrialization of the *SPPI* test for listed debt securities.

Some provisional simulations of the new standard impact on the balance sheet and on prudential own funds were carried out during these activities, especially in order for the entire Crédit Agricole SA Group to fully meet the requests made by the European Banking Authority (EBA). These simulations were made based on the accounting data as at 31 December 2015 at a Group level.

The implementation works will continue in 2017 and will include impact simulations based on financial statement data as at 31 December 2016, in order to meet the requests made by the European Banking Authority (EBA).

Transition

IFRS 9 shall apply retrospectively with mandatory effective date on 1 January 2018 with adjustments to opening items on the first-adoption date; it does not require restatement of comparative data for the 2017 FY but it provides for optional restatement. Crédit Agricole Cariparma has not planned to restate its financial statements as at 31 December 2017, which will be presented with comparative items to the 2018 FY data.

OTHER INFORMATION

The standards and interpretations published by the IASB as at 31 December 2016 but not yet endorsed by the European Union are not applicable for Crédit Agricole Cariparma.

Among these, "IFRS 16 – Leases" is worth mentioning, which will be applicable (after its endorsement by the EU) to reporting periods starting on or after 1 January 2019 and will replace IAS 17 (Leases). Early adoption is permitted for entities that have adopted also IFRS 15 – Revenue from Contracts with Customers. The standard provides for items to be recognized and presented taking account of the substance of the transaction or contract.

Therefore, all lease contracts shall be reported by the entity in the balance sheet, as assets and liabilities, rather than as off-balance-sheet items, as done at present for operating leases.

In the income statement, the standard requires recognition of the asset depreciation and separate recognition of depreciation and interest expenses, with the interest component to be recognized as a separate item.

A preliminary analysis of the impact generated by IFRS 16 on the Crédit Agricole S.A. Group and, consistently, as part of it, on the Crédit Agricole Italia Banking Group, was carried out in 2016 and showed marginal impacts on the Balance Sheet.

Section 2 – General preparation principles

The Annual Report and 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 financial and cash flow position of Crédit Agricole Cariparma.

In accordance with Article 5 of Italian Legislative Decree No. 38/2005, the Euro has been used as the reporting currency in the preparation of the financial statements. 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.

The Annual Report and Financial Statements as at 31 December 2016 have been prepared on a going-concern basis, since Crédit Agricole Cariparma is believed to continue in operation in the foreseeable future.

As regards the reporting required pursuant to IFRS 7 on the risks which the Bank is exposed to, appropriate information is provided in the Management Report and in the Note to the Financial Statements, specifically in Section E

The Note to the Financial Statements also reports the verifications that were carried out in order to assess any impairment of equity investments, securities available for sale and intangible assets (including goodwill).

The financial statements and the Note also contain comparative figures for the year ended as at 31 December 2015, as well as the figures for the year being reported.

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 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;
- calculating the fair value of financial instruments to be used for financial reporting purposes;
- using measurement models for the recognition of the fair value of financial instruments that are not listed on active markets;
- assessing the consistency of the value of equity investments, goodwill and of the other intangible assets;
- quantifying the provisions for staff and for risks and charges;
- making estimates and assumptions concerning the recoverability of deferred tax assets.

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

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 and specified.

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.

Statement of comprehensive income

The statement of comprehensive income consist of items showing the changes in the value of the assets recognized in the year 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 been stated also.

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, income reserves, comprehensive income and net profit or loss. The value of treasury shares is deducted from equity.

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, investing activities and financing 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 Circular No. 262/2005 issued by the Bank of Italy, as updated and specified, as well as further information required by the International Accounting Standards.

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 been stated also.

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 31 December 2016 to the date of approval of the Annual Report and Financial Statements for the year, no events occurred which could significantly change the structures of Crédit Agricole Cariparma.

Section 4 – Other aspects

OPTION FOR THE ITALIAN NATIONAL TAX CONSOLIDATION

Effective since 2013, Crédit Agricole Cariparma and some Italian Companies of its Group, including Crédit Agricole FriulAdria, Crédit Agricole Carispezia, Crédit Agricole Leasing Italia and Crédit Agricole Group Solutions, have adopted the “Italian national tax consolidation regime”, which is governed by Articles 117-129 of the Italian Consolidated Act on Income Taxes (TUIR) and was introduced in the Italian tax legislation with Italian Legislative Decree No. 344/2003.

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.

18 Companies of the Group opted to join the tax consolidation scheme and, having been designated by Crédit Agricole S.A., Crédit Agricole Cariparma has undertaken the role of Consolidating Entity.

This regime provides for the consolidated companies to transfer their taxable income (or their tax loss) to the Controlling Company Crédit Agricole Cariparma, 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.

AUDIT OF THE ACCOUNTS

The Annual Report and Financial Statements are subject to audit by EY S.p.A, implementing the Resolution passed by the Shareholders’ General Meeting on 21 April 2012, whereby this Firm was given the assignment for the period 2012-2020.

A.2 PART REPORTING ON THE MAIN FINANCIAL STATEMENT ITEMS

1. Financial assets held for trading

CLASSIFICATION

This category consists of debt and equity securities, as well as of the positive value of derivatives contracts held for trading.

Derivatives contracts include derivatives embedded in complex financial instruments that have been recognized separately because:

- their economic characteristics and risks are not closely related to the characteristics of the host contract;
- The embedded instruments, also when separated, meet the definition of derivative;
- the hybrid instruments which they belong to are not measured at fair value with the relevant changes taken to the Income Statement.

RECOGNITION

Debt and equity securities are initially recognized at the settlement date, while derivative contracts are recognized on the date they are signed.

Financial assets held for trading are initially recognized at fair value, excluding transaction expenses and income that can be directly attributed to the instrument itself.

Any derivatives embedded in complex host contracts that are not strictly connected with the embedded derivatives and having the characteristics to meet the definition of derivative, are separated from the host contract and recognized at fair value.

MEASUREMENT

After initial recognition, financial assets held for trading are designated at fair value. The effects of the application of this measurement standard are taken to the Income Statement.

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.

To measure the fair value of financial instruments that are listed on 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.

Equity securities, derivatives on equity securities and UCITS units, whose fair value cannot be reliably measured according to the above guidelines, are recognized at cost.

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 asset continues to be recognized, even if legal title has been transferred.

Where it is not possible to ascertain whether all the risks and rewards of ownership have been substantially 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.

Finally, financial assets which have been disposed of 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, to other third parties.

2. Financial assets available for sale

CLASSIFICATION

This category includes financial assets that are not otherwise classified as “Loans and Receivables”, “Financial Assets Held for Trading”, “Investments Held to Maturity” or “Financial Assets designated at Fair Value” .

In addition to bonds that are not held for trading and are not classified as “Investments Held to Maturity”, as “Financial Assets designated at Fair Value” or as “Loans and Receivables”, this item includes also equity investments that are not held for trading and do not amount to subsidiaries, associates or joint ventures, including investments in private equity and in private equity funds, as well the shares of subscribed syndicated loans, which have been held for sale since inception.

RECOGNITION

Financial asset available for sale are initially recognized at the settlement date for debt and equity securities and at the disbursement date in the case of loans. Financial assets are initially recognized at fair value, including transaction expenses or income that can be directly attributed to the instrument itself.

If, in the cases allowed by the accounting standards, recognition occurs as a result of reclassification of these assets from “Investments held to maturity” or of unusual events, from “Financial assets held for trading” they would be recognized at their fair value as at the time of transfer.

MEASUREMENT

Following initial recognition, debt securities classified as “Assets available for sale” are designated at fair value, with recognition in the Income Statement of interest calculated based on the effective yield, whereas gains or losses resulting from fair value changes are recognized in a specific equity reserve until the asset is derecognized or impairment is recognized. Upon disposal or recognition of an impairment loss, the accumulated gains or losses are recognized in the Income statement.

Fair value is determined using the standards adopted for “Financial assets held for trading”.

Equity instruments included in this category, for which the fair value cannot be reliably determined, are recognized at cost.

“Financial assets available for sale” undergo impairment testing to determine whether there is objective evidence of impairment.

Where impairment is found, the amount of the loss is measured as the difference between purchase cost and fair value, net of any losses already recognized in the Income Statement.

For equity securities, a fair value decrease by over 30% below the initial book value or for a period over 6 months is considered evidence of impairment. Further impairment is reclassified from equity to gains (losses) for the period, until the asset is derecognized.

Should the reasons for impairment no longer apply subsequent to an event occurred after the recognition of the impairment loss, a value recovery is recognized in the Income Statement for debt securities and loans; for equity instruments this value recovery is recognized in a specific equity reserve.

For debt securities and loans, this value recovery shall in no case determine a book value higher than the amortized cost if the loss were not recognized.

Loan restructuring transactions entailing partial or full conversion into equity instruments classified as financial assets available for sale

For equity instruments received within loan restructuring transactions carried out by debtors, the received equity instruments are initially recognized at fair value; the difference between the loan book value and the fair value of the equity instruments is taken to the income statement among adjustments.

Moreover, where the restructuring with total or partial equity conversion relates to non-performing exposures, since the conversion does not modify their quality, the equity instruments received are also considered as issued by a “non-performing” issuer”; this entails that subsequent reductions in their fair value are considered impairment evidence and, therefore, are recognized in the Income Statement until the issuer is restored to a performing status.

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 asset continues to be recognized, even if legal title has been transferred.

Where it is not possible to ascertain whether all the risks and rewards of ownership have been substantially 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.

Finally, financial assets which have been disposed of 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, to other third parties.

3. Investments held to maturity

CLASSIFICATION

This category includes debt securities with fixed or determinable payments and fixed maturity that the Company has the intention and the ability to hold to maturity. If, following a change in such intention or ability, it is no longer appropriate to continue to classify an investment as “held to maturity”, it is reclassified under “Financial Assets available for sale”.

RECOGNITION

Financial assets are initially recognized at the settlement date.

Financial assets classified in this category are initially recognized at fair value including any costs and revenues directly attributable to them. If recognition in this category occurs as a result of reclassification from “Financial assets available for sale”, the of the asset at the date of reclassification is taken as the new amortized cost of the asset.

MEASUREMENT

Following initial recognition, Investments held to maturity are measured at amortized cost using the effective interest rate method.

Gains and losses relating to investments held to maturity are recognized in the Income Statement at the moment in which the assets are derecognized or have incurred impairment, as well as through the amortization of the difference between the book value and the amount repayable upon maturity.

Investments held to maturity are subject to impairment testing to determine whether there is objective evidence of impairment.

If such evidence is found, the amount of this loss is measured as the difference between the book value of the asset and the present value of expected future cash flows, discounted using the original effective interest rate.

The amount of the loss is recognized in the income statement. Should the reasons for the impairment cease to apply after the recognition of the impairment loss, a recovery is taken to the income statement. The amount of the recovery shall in no case exceed the amortized cost that the financial instrument would have had if prior adjustments had not been made.

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 the relevant legal title has been transferred.

Where it is not possible to ascertain whether all the risks and rewards of ownership have been substantially 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.

Finally, financial assets which have been disposed of 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, to other third parties.

4. Loans and Receivables

CLASSIFICATION

Loans and receivables include loans to customers and banks, whether disbursed directly or acquired from third parties, with fixed or determinable payments, that are not listed on an active market and that were not originally classified as “Financial Assets available for sale”.

The “Loans and Receivables” item also reports trade receivables, repurchase transactions and securities purchased through subscription or private placements, with fixed or determinable payments, which are not listed on an active market.

RECOGNITION

Loans and receivables are initially recognized at the date of signing of the relevant contract, which usually is also the disbursement date, and are recognized at the fair value of the financial instrument; the fair value of the financial instrument is equal to the amount disbursed, or subscription price, including costs/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 debtor or that can be classified as normal administrative overhead costs, despite having the above characteristics.

MEASUREMENT

After initial recognition, loans and receivables are measured at amortized cost. The amortized cost is equal to the amount at which a financial asset is measured at initial recognition, decreased/increased by principal repayments, impairment losses/recoveries and by amortization – using the effective interest rate method – of any difference between the amount disbursed and the one to be repaid at maturity, usually relating to costs/revenues directly attributable to the individual position. The effective interest rate is the rate that exactly discounts the estimated future cash flows generated by the loan in terms of principal and interest, to the amount disbursed including costs and revenues attributable to the loan. This accounting treatment, using a financial logic, allows the cost/revenue economic impact to be distributed over the expected remaining life of the loan.

The amortized cost method is not used for short-term loans/receivables (less than 12 months) as the effect of discounting back would be negligible. Short-term loans are valued at historic cost. The same approach is adopted for loans without a specified maturity or subject to revocation.

Loans are tested to determine whether events subsequent to recognition have given rise to objective evidence of possible impairment. Loans subject to testing include loans classified as bad debts, unlikely-to-pay or past-due positions in accordance with the Bank of Italy's rules in force as at 31 December 2016 and consistent with the IAS/IFRS.

Impaired positions are measured individually and the amount of the writedown of each loan is equal to the difference between the book value of the loan at the time of measurement (amortized cost) and the present value of expected future cash flows, calculated by applying the original effective interest rate.

Expected cash flows take account of expected collection times, the expected realizable value of any guarantees, as well as the costs likely to be incurred to collect the loan.

The original effective interest rate of each loan remains unchanged over time unless the position undergoes restructuring that involves a change in the contractual interest rate, including when it becomes, in actual fact, a non-interest-bearing loan.

The value adjustment is recognized in the Income Statement.

The original value of the loan is written back in subsequent financial years to the extent that the reasons for the adjustment cease to apply, provided that this assessment is objectively connected with an event that occurred subsequent to the adjustment. Writebacks are recognized in the Income Statement and the value of the loan after the writeback shall not in any event exceed the amortized cost that it would have had in the absence of the prior adjustments.

Any value recoveries linked to time passing are reported under writebacks.

Loans for which no individual objective evidence of impairment has been found undergo collective impairment testing. As reported in Part E of the Note to the Financial Statements, this is performed by category of loans with uniform credit risk profiles, while the related loss percentages are based on the Probability of Default (PD) and Loss Given Default (LGD) parameters that can be observed as at the date of measurement and allow an estimation of any incurred loss.

Collective impairment losses are taken to the income statement.

In Part E of the Note to the Financial Statements, the procedures for loan management and control are exhaustively described covering all risk-related aspects.

DERECOGNITION

Transferred loans and receivables are derecognized only if their disposal has substantially transferred all the risks and rewards associated with their ownership. Conversely, when a prevalent share of the risks and rewards associated with the ownership of the transferred loans and receivables is retained, they continue to be recognized, even though legal title has been transferred.

Where it is not possible to ascertain whether all the risks and rewards of ownership have been substantially transferred, loans and receivables are derecognized where no form of control over the instrument has been retained. Conversely, if the company retains even a portion of control, the loan or receivable continues to be recognized to the extent of the continuing involvement, measured by the exposure to changes in the value of the transferred assets and to changes in the related cash flows.

Finally, loans and receivables which have been disposed of 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, to other third parties.

5. Financial assets designated at fair value

CLASSIFICATION

In accordance with the IAS/IFRS endorsed by the European Commission, any financial assets so defined upon acquisition may be classified in the "financial instruments designated at fair value" category with a balancing item in the Income Statement, in compliance with the cases provided for by the applicable regulations.

No reclassifications to other categories of financial assets are allowed. The Group classifies some hybrid instruments in this category, which, otherwise, would have required to be separated from the host contract.

RECOGNITION

Financial assets are initially recognized at fair value, excluding transaction expenses or income that can be directly attributed to the instrument itself.

MEASUREMENT

After initial recognition, these financial instruments are designated at fair value. The effects of the application of this measurement standard are taken to the Income Statement.

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 all the risks and rewards of ownership have been substantially 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.

Finally, financial assets which have been disposed of 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, to other third parties.

6. Hedging

TYPES OF HEDGES

Hedging transactions are used to neutralize potential losses occurring on a given item or group of items attributable to a given risk, in case the risk event actually takes 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 as endorsed by the European Commission;

RECOGNITION

Hedging derivatives, like all derivatives, are initially recognized and later designated at fair value.

MEASUREMENT

Hedging derivatives are designated 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 offset is recognized by reporting changes in value in the Income Statement, both for the hedged item and for the hedging instrument. Any difference that may arise, since it represents the partial ineffectiveness of the hedge, also represents its net effect on the Income Statement;

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 the end of each year, or interim period, 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.

If the tests do not confirm the effectiveness of the hedge, hedge accounting, as described above, is discontinued and the hedge derivative contract is reclassified under instruments held for trading, while the hedged financial instrument is again measured using the standard applicable to its original classification.

In case of macrohedging, IAS 39 allows fair value hedging of the exposure to interest rate risk of a designated amount of financial assets or liabilities so that a group of derivative contracts can be used to reduce changes in the fair value of the items hedged against fluctuations in market interest rates.

Amounts determined as a gap between financial assets and liabilities cannot be macro-hedged. Macro-hedging is deemed to be highly effective if, along with the fair value hedge, both at inception and during the hedge, changes in the fair value of the hedged amount are offset by changes in the fair value of the hedging derivatives, with a ratio ranging between 80 and 125%.

7. Equity investments

RECOGNITION, CLASSIFICATION AND MEASUREMENT

This item reports equity investments held in associates and joint arrangements.

Joint arrangements are companies in which the voting rights and the control of the investee's business activities are shared equally, directly or indirectly, between the Reporting Entity 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 Group exercises a significant influence, holding, directly or indirectly, at least 20% of the voting rights (including "potential" voting rights as defined above) 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.

Significant influence is not ascribed to interests of more 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.

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 shareholding could generate, including its value upon disposal.

If the recoverable value is lower than the book value, the difference is recognized in the Income Statement.

If the reasons for the impairment should be removed subsequent to an event occurring after the recognition of the impairment loss, the value of the asset is written back and taken to the Income Statement.

8. Property, plant and equipment

CLASSIFICATION

"Property, plant and equipment" includes land, operating property, investment property, technical plants, furniture, furnishings and equipment of any type.

This item includes assets that are used in producing of goods and in providing services, to be rented to third parties, and intended to be used for more than one year.

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.

MEASUREMENT

Property, plant and equipment items, including investment property, 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	
– High-end property	No depreciation
– Other	33 years(1)
Furniture, fittings, alarm systems and vehicles	From 4 to 10 years
Computers and electronic equipment	From 3 to 10 years
Works of art	No depreciation

(1) It is specified that, in some cases and for specific property units, their useful life, appropriately calculated, may have different duration.

Buildings 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 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;
- 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 carrying value is compared with its recoverable value. Any writedowns are recognized in the income statement.

If the reasons for the impairment loss 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.

9. Intangible Assets

CLASSIFICATION

Intangible assets are recognized as such if they are identifiable and are based on legal or contractual rights (for example, software). The "Intangible Assets" item also reports:
- software acquired from external sources or with 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 potential assets and liabilities recognized upon acquisition;
- the intangibles representing business with Customers are recognized subsequent to the application of IFRS 3.

RECOGNITION AND MEASUREMENT

Intangible assets acquired separately and generated in-house are initially capitalized at cost, whereas those acquired through business combination transactions are recognized at fair value as at the acquisition date.

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 signs 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 will realize, 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 cost category consistent with the intangible asset function.

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 level of cash-generating unit.

The amount of any impairment is calculated based on the difference between the recoverable value of the cash-generating unit and the book value of the same.

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 writedown is recognized in the income statement.

DERECOGNITION

Intangible assets are derecognized 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.

10. Non-current assets held for sale and discontinued operations

"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 authorizations, provides for "Non-current Assets/Liabilities held for sale and discontinued operations" to be recognized as from the date of receipt of such authorization (whether express or tacit).

These assets/liabilities are designated at the lower between their book value and their fair value net of disposal costs. The related income and expenses (net of tax effects) are recognized as a separate item in the Income Statement.

11. Current and Deferred Taxes

The effects of current taxes and deferred tax assets and liabilities are recognized at the applicable tax rates.

Income taxes are recognized in the Income Statement, except for those referring to items directly recognized in equity.

Provisions for income taxes are calculated on the basis of a prudential forecast of the current tax liability and deferred tax assets and liabilities. Specifically, deferred tax assets and liabilities are calculated on the basis of temporary timing 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.

Deferred tax liabilities are calculated using the so-called balance-sheet liability method.

Deferred tax assets, with regard 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.

Deferred tax liabilities are recognized for all taxable temporary differences, except for the reserves on which taxation is suspended, since the amount of available reserves already subject to taxation makes it likely that no taxable transactions will be carried out.

Deferred tax assets and liabilities are recognized with open balances without offsets; the former are entered under "Tax assets", the latter under "Tax liabilities".

Deferred tax assets and liabilities are systematically measured to reflect any changes in tax regulations or rates, as well as in any other situation applicable to the company. The effects are recognized in the Income Statement, except when these regard changes in the temporary differences in items for which the accounting policies require recognition directly in equity, in which case the change in the deferred tax liability or asset is taken directly to equity.

12. Provisions for risks and charges

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 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.

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 a reliable estimate can be made of the amount.

Where the time factor is significant, provisions are discounted using current market rates. The amount allocated provision is recognized in the Income Statement and includes the increase in the provision due to time passing.

This item also includes long-term employee benefits, the liabilities for which are determined using the same actuarial assumptions described for retirement benefits. Actuarial gains and losses are immediately recognized in full in the Income Statement.

13. Debt and debt securities issued

CLASSIFICATION

“Due to banks”, “Due to customers” and “Debt securities issued” 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.

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 is usually equal to the amount collected or to 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

MEASUREMENT

Following initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method.

This does not apply to short-term liabilities which are recognized in the amount collected, since the time factor is negligible

DERECOGNITION

Financial liabilities are derecognised when they expire or are extinguished. Liabilities are also derecognized when previously issued securities are repurchased. The difference between the book value of the liability and the amount paid to repurchase it is recognized in the Income Statement.

The subsequent placement of repurchased securities on the market is treated as a new issue and is recognized at the new placement price.

14. 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, taking no account of any transaction costs or income that can be directly attributed to the same instruments.

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

All liabilities held for trading are designated at fair value and the result of such measurement is taken to the Income Statement.

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.

15. Financial liabilities designated at fair value

No Company of the Crédit Agricole Italia Banking Group has exercised the fair value option for financial liabilities. In other words, no Company of the Group has opted to measure financial liabilities at fair value, taking the result of such measurement to the Income Statement, with the exception of financial liabilities that IAS 39 requires to be measured at fair value owing to their specific intended use. Therefore, only financial liabilities classified in the trading book, those subject to fair value hedging and hedging derivatives are measured at fair value, and the result of this measurement is taken to the Income Statement.

16. Foreign currency transactions

INITIAL RECOGNITION

Transactions in foreign currencies 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.

SUBSEQUENT RECOGNITION

At each annual and interim Balance Sheet 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 designated 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 corresponding exchange rate difference is also recognized in the income statement.

17. Other information

CONTRIBUTIONS TO THE SINGLE RESOLUTION FUND

The Bank Recovery and Resolution Directive (BRRD – 2014/59/EU) sets down the new resolution rules applying since 1 January 2015 to all the banks within the European Union.

Effective from 1 January 2015, 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 2016, the share of irrevocable payment commitments allowed to be used by Banks is 15% of the relevant total contribution and, to secure full payment of the total contributions, intermediaries are required to give eligible assets as collateral that, for this year, may consist only of cash.

In 2016, 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 2016 financial year, calculated pursuant to the Delegated Regulations of the European Commission No. 2015/63 and 2015/81. This contribution was set down by the Single Resolution Board in cooperation with the Bank of Italy.

Based on the communication received, the ex-ante ordinary contribution to the Single Resolution Fund for 2016 of Crédit Agricole Cariparma amounts to Euro 9 million. It is reported that the Bank exercised the option to settle 15% of its total contribution through irrevocable payment commitments.

On 29 December 2016, the Bank of Italy issued a communication calling in the payment of the two extraordinary contributions to the Italian National Resolution Fund for the 2016 financial year, as provided for by the Italian Stability Law for 2016 – i.e. Italian Law No. 208 of 28 December 2015. The extraordinary contribution due by Crédit Agricole Cariparma amounts to Euro 18 million.

In accordance with its accounting policies, the Bank recognized the expense item referring to the 2016 extraordinary contribution under the “Other administrative expenses” item, with the “Provisions for risks and charges” item as the balancing item, in the light of the communication received, which, given the regulatory uncertainty on the reporting date, stated that the Supervisory Authority reserved the right to set the due date and payment method for such contributions with a measure to be issued afterwards and, in any case, to reconsider its decision.

CONTRIBUTIONS TO THE VOLUNTARY SCHEME SET UP BY THE INTERBANK DEPOSIT PROTECTION FUND

On 17 June 2016, the Extraordinary General Meeting of the Banks that have joined the voluntary Scheme of the Italian Interbank Deposit Protection Fund – FITD – (including the

Banks of the Crédit Agricole Italia Group) approved amendments to its by-laws aimed also at increasing the financial resources of the Scheme (which increased from Euro 300 million to Euro 700 million). As a consequence, the Group has recognized the maximum commitment it has undertaken towards the FIDT Voluntary Scheme, amounting to a share of the authorized amount of Euro 700 million, equal to approximately Euro 22 million.

Following the resolution passed by the Management Board of the FIDT Voluntary Scheme at its meeting of 15 June 2016 – approval of the action to support CR Cesena by subscribing a reserved capital increase of Euro 280 million – and following the authorization given by the ECB on 15 September 2016 to the Voluntary Scheme to acquire a controlling equity investment, on 20 September 2016 the capital increase was made.

The required financial resources were allocated in advance to the Fund asking all member Banks for the payment of a contribution equal to their respective share in the FITD; the contribution of the Crédit Agricole Italia Banking Group amounted to Euro 8.6 million (and the commitment recognized was decreased accordingly).

In accordance with the technical-legal features of the voluntary action supporting the FITD, the voluntary contributions paid may be distinguished from the mandatory ones paid to the deposit guarantee funds, which, also based on the opinion issued by ESMA, are non-refundable cash contributions. Conversely, voluntary contributions may provide for forms of asset recognition for member banks.

Based on some analyses carried out by the Crédit Agricole Italia Banking Group (confirmed by the Italian Banking Association – ABI – and by the Bank of Italy with its communication of 26 October 2016), since these contributions are paid with the acquisition of an equity investment in a bank experiencing difficulties by the FITD Voluntary Scheme (which has its own management and capitalization separate from the FITD), these contributions allow recognition of an asset pursuant to the IAS/IFRS. This asset is an equity investment. The Crédit Agricole Italia Banking Group recognized an equity investment classified under "Financial Assets available for sale".

Crédit Agricole Cariparma has joined the Voluntary Scheme set up by the Interbank Deposit Protection Fund intended for actions to provide support to banks that are members of the Scheme and are under extraordinary administration or in financial distress.

In 2016, the Voluntary Scheme resolved to take action in support of Cassa di Risparmio di Cesena, with a reserved capital increase amounting to Euro 280 million.

The relevant expense for Crédit Agricole Cariparma came to Euro 6.3 million.

LEASES

Leases have been recognized based on the provisions of IAS 17.

Specifically, the definition of a contract agreement as a lease transaction (or including a lease transaction) is based on the fact that the same agreement depends on the use of one or more specific assets and on whether the agreement transfers the right of use of that asset.

Leases are considered finance leases if they transfers 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.

CLASSIFICATION OF LEASES

The initial value of the lease includes the so-called “initial direct costs”; more specifically, the accounting standard:

- Defines the initial direct costs as ““incremental costs that are directly attributable to negotiating and arranging a lease”, specifying that “the interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of (a) the minimum lease payments and (b) the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any initial direct costs borne by the Lessor”;
- Specifies that “Lessors include in the initial lease amount the initial direct costs borne for negotiating the lease. This treatment does not apply to Lessors that are manufacturers or dealers”;
- Specifies that “the Principle does not allow initial direct costs to be recognized as expenses by the Lessors”.

It is to be noted that the IAS 17 provision for the inclusion of the initial direct costs in the financial lease recognition by the Lessor essentially entails that lease receivables are treated as financial receivables valued at depreciated cost.

Initial direct costs to be ascribed to a net investment increase include only the additional costs directly ascribable to negotiation and finalization of financial lease transaction that are certain and immediately determinable upon the initial recognition of the lease receivable, such as commission and legal costs.

The Group has also entered into operating lease agreements as Lessee, concerning cars and other capital assets. The fees for these operating lease agreements have been recognized in the Income Statement on a straight-line basis over the duration of the agreement.

As at the reporting date, the Group had no finance lease agreements in force.

INSURANCE ASSETS AND LIABILITIES

The Financial Statements of Crédit Agricole Cariparma do not report any assets or liabilities bearing insurance risks.

TREASURY SHARES

Any treasury shares held are deducted from Equity. Similarly, the original cost of these shares and any gains or losses resulting from their subsequent sale are recognized as changes in Equity.

LEASEHOLD IMPROVEMENT

The costs for 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 per the instructions issued by the Bank of Italy, 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 (Italian acronym TFR), for 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 projected unit credit cost 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 staff expenses and include interests accrued, while employee severance benefits accrued in the reporting year, following the supplementary pension scheme reform introduced with the 2007 Finance 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 scheme are calculated based on the contributions due for each year without applying actuarial calculation methods.

PROVISIONS FOR GUARANTEES ISSUED AND COMMITMENTS

Financial guarantee liabilities issued by the Group are the contracts requiring a payment to refund the holder of a loss following the default of a specific debtor in making the payment due at the set maturity date based on the contract clauses of the debt instrument. Financial guarantee contracts are initially recognized as liabilities at fair value, increased by the transaction costs directly attributable to the issued of the guarantee.

Afterwards, liabilities are measured as the higher between the best estimate of the expense required to meet the actual obligation as at the reporting date and the amount initially recognised after deducting accrued amortization. These guarantees have been recognized under the "Other liabilities" item, in accordance with the instructions issued by the Bank of Italy.

SHARE-BASED PAYMENTS

Share-based remuneration plans for staff are recognized in the Income Statement, with a corresponding increase in Equity, based on the fair value of the assigned financial instruments at the awarding date, spreading the expense over the 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;
- commission income for revenues from services is recognized, in accordance with the terms of the relevant agreement, in the period in which the services have been provided;
- 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.

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. at 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 each 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 it 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 of 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 DESIGNATED AT FAIR VALUE ON A RECURRING BASIS

For financial instruments that are to be designated and recognized at fair value pursuant to the international financial reporting standards, 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 traded in an active market. 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 used is that 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 determined 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 market players would consider in setting the price, the developed valuation models take account of 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 sufficient reliability, the fair value is prudentially determined 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 (periodically communicated by the Parent Company Crédit Agricole), 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; variable-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, the comparable transactions by companies operating in the same sector and supplying the same type of products and 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.

ASSETS AND LIABILITIES THAT ARE NOT DESIGNATED AT FAIR VALUE OR ARE DESIGNATED 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:

- medium- and 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 represented by the initial book value, net of collective/individual writedowns;

- the book value of non-performing loans (bad debts, 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 for 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 Crédit Agricole S.A. 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 real estate property items in the same geographical area and under the same conditions for rental and other contracts.

AMORTIZED COST CALCULATION METHOD

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is designated 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 assessed 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 periods, 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.

Amortized cost is calculated for loans and receivables, investments held to maturity, financial assets available for sale, debt and debt securities issued.

Financial assets and liabilities traded on an arm's length basis are initially recognized at fair value, which normally corresponds to the amount received or paid, including, for instruments measured at amortized cost, directly attributable transaction costs and commissions.

Transaction costs are marginal internal or external costs and 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 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.

In addition, not considered in the amortized cost calculation are the costs that the Group would bear independently of the transaction (for example, administrative costs, recording and communication expenses), nor those 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 independently 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 to the organization and/or participation in syndicated loans, expenses borne for loans acquired by subrogation and, finally, up-front commissions relating to loans granted at a higher-than-market rates; while the revenues considered in the calculation of amortized cost are up-front commissions relating to loans granted at lower-than-market rates, commissions for participation in syndicated transactions and brokerage fees linked to commissions paid by intermediation companies.

As to securities not classified as held for trading, 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.

With regard to 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 commissions paid to rating agencies, legal and advice/audit expenses for the annual update of prospectuses, expenses for the use of indexes 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. Finally, structured assets or liabilities not designated at fair value are also measured at amortized cost and taken to the Income Statement where the derivative contract incorporated in the financial instrument is separated and recognized separately.

Hedged financial assets and liabilities, for which changes in fair value relating 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 the measurement of 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 loans subject to revocation.

METHOD TO CALCULATE IMPAIRMENT LOSSES

Financial assets

At every reporting date, financial assets not classified as "Financial Assets held for trading" undergo impairment testing to determine whether there is objective evidence that their book value is not fully recoverable.

Impairment exists where there is objective evidence of a reduction in future cash flows compared with the ones originally estimated, following the occurrence of specific events. It must be possible for the loss to be measured reliably and it must be correlated with actual, not merely expected, events.

Impairment is measured on an individual basis for financial assets that show specific evidence of impairment, and collectively for financial assets for which individual measurement is not required or for which individual measurement has not determined any value adjustment.

As regards loans to customers and loans to banks, measurement on an individual basis is applied to those classified as bad debts or unlikely-to-pay, in accordance with the Bank of Italy definitions and consistently with the IAS/IFRS.

Impaired positions are measured individually and the amount of the writedown of each loan is equal to the difference between the book value of the loan at the time of measurement (amortized cost) and the present value of expected future cash flows, calculated by applying the original effective interest rate.

Expected cash flows take account of expected collection times, the expected realizable value of any guarantees, as well as the costs likely to be incurred to collect the loan. Cash flows from loans for which collection is expected in the short-term are not discounted, since the impact of the time factor is deemed immaterial.

Loans for which no individual objective evidence of impairment has been found undergo collective impairment testing. To this end performing loans are subdivided into categories with uniform credit risk profile, referred to as "rating grades", and the scope of application is defined by identifying "sensitive" loans, considered as loans that implicitly include the possibility of incurred losses.

The collective impairment value of sensitive loans is, therefore, calculated applying the percentage expressing the Probability of Default assigned to the rating grade, considering also the residual life of the loan (maturity) and the loss given default rate, defined in a perspective of Basel 2 prudential supervision. The loss given default rate is, moreover, further corrected by a sector coefficient, established based on the run-off rates published by the Bank of Italy. The collective impairment loss measurement takes also account of the risk associated with the counterparty's country of residence.

Moreover, for equity securities, objective evidence of impairment is assessed when at least one of the following signals is detected: a rating decrease by over 2 grades, market capitalization that is significantly lower than the equity book value, the starting of any debt restructuring plan, any significant decrease in the equity book value.

As regards fair value measurement, reference is made to the relevant section of this Note.

OTHER NON-FINANCIAL ACTIVITIES

Property, plant and equipment and intangible assets with a finite useful life undergo impairment testing 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 its recoverable value.

The recoverable value is determined with reference to the fair value of the property, plant and equipment asset or intangible asset net of divestment expenses or with reference to its value in use, if it can be determined and is 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 Cariparma 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 organisational and management structure of Crédit Agricole Cariparma.

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 ones.

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 13.3 – Assets.

A.3 DISCLOSURE OF TRANSFERS OF FINANCIAL ASSETS BETWEEN PORTFOLIOS

In 2016, 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 designated at fair value (irrespective of whether they are so designated 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 on active markets, investment schemes quoted on active markets (EFT) and derivatives traded on 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 values determined using universally acknowledged measurement models based on observable or indirectly observable market inputs (for example, determining the interest rate curve based on the interest rates that can be observed directly on the market as at a 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 on active markets is determined with measurement techniques based on inputs that are not observable on the market.

  The above 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 (issuer).

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 the 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, Crédit Agricole Cariparma 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 or 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 the IFRS 13, the Crédit Agricole Italia Banking Group has adopted a model implemented by the Parent Company Crédit Agricole S.A.; 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 (Debt 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, the 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 Crédit Agricole Cariparma'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 Issuer Bank's creditworthiness.

In this case, a forward-looking PD is used which reflects the Group's credit risk.

As at 31 December 2016, the CVA value for Crédit Agricole Cariparma, calculated in accordance with the method reported above, was Euro 12.5 million.

Similarly, as at 31 December 2016, the DVA value was Euro 1.3 million.

The difference between the CVA and DVA amounts as calculated, equal to Euro 11.3 million, is a negative 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; variable-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, it also includes the measurements communicated by qualified market players.

A.4.2 Processes and sensitivity of measurement

The Finance Division of Crédit Agricole Cariparma is responsible for defining the fair value category of the financial instruments recognized; the fair value hierarchy is reported in section "A4 Fair value reporting". Choosing between the above methods is not an option, since they must 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 categorized within 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.

In this regard, it is reported that the case under examination does not apply to some Level 3 financial instruments classified as Held for Trading and AFS 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 assets and liabilities recognized, the Finance Division assesses whether transfers between fair value levels have occurred and reviews the fair value categorization at each reporting date.

The Finance Division 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 Division 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 designated at fair value on a recurring basis: breakdown by fair value level

Financial assets/liabilities designated at fair value	31.12.2016			31.12.2015		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	3	82,716	552	3	100,263	39
2. Financial assets designated at fair value	–	–	–	–	–	–
3. Financial assets available for sale	3,998,124	–	179,102	4,237,937	–	176,531
4. Hedging derivatives	–	558,160	–	–	511,573	–
5. Property, plant and equipment	–	–	–	–	–	–
6. Intangible Assets	–	–	–	–	–	–
Total	**3,998,127**	**640,876**	**179,654**	**4,237,940**	**611,836**	**176,570**
1. Financial liabilities held for trading	–	93,853	–	–	109,753	–
2. Financial Liabilities designated at fair value	–	–	–	–	–	–
3. Hedging derivatives	–	255,479	340,503	–	215,059	292,478
Total	**–**	**349,332**	**340,503**	**–**	**324,812**	**292,478**

Key:
BV: Book value
L1: Level 1
L2: Level 2
L3: Level 3

The impact resulting from applying CVA and DVA on the fair value measurement of derivatives classified as held for trading and hedging came to Euro 11,263 thousand.

A.4.5.2 Changes for the year in assets designated at fair value on a recurring basis (level 3)

	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance	**39**	**–**	**176,531**	**–**	**–**	**–**
2. Increases	**602**	**–**	**19,630**	**–**	**–**	**–**
2.1 Purchases	552	–	8,909	–	–	–
2.2 Profits recognized in:	–	–	–	–	–	–
2.2.1 Income Statement	50	–	10,369	–	–	–
– of which: Capital gains	–	–	10,319	–	–	–
2.2.2 Equity	X	X	352	–	–	–
2.3 Transfers from other levels	–	–	–	–	–	–
2.4 Other increases	–	–	–	–	–	–
3. Decreases	**89**	**–**	**17,059**	**–**	**–**	**–**
3.1 Sales	89	–	550	–	–	–
3.2 Redemptions	–	–	13,742	–	–	–
3.3 Losses recognized in:	–	–	–	–	–	–
3.3.1 Income Statement	–	–	295	–	–	–
– of which Capital losses	–	–	–	–	–	–
3.3.2 Equity	X	X	2,472	–	–	–
3.4 Transfers to other levels	–	–	–	–	–	–
3.5 Other decreases	–	–	–	–	–	–
4. Closing Balance	**552**	**–**	**179,102**	**–**	**–**	**–**

A.4.5.3 Changes for the year in liabilities designated 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	–	–	292,478
2. Increases	**–**	**–**	**59,683**
2.1 Issues	–	–	21,134
2.2 Losses recognized in:	–	–	–
2.2.1 Income Statement	–	–	38,549
– of which Capital losses	–	–	38,549
2.2.2 Equity	X	X	–
2.3 Transfers from other levels	–	–	–
2.4 Other increases	–	–	–
3. Decreases	**–**	**–**	**11,658**
3.1 Redemptions	–	–	11,658
3.2 Repurchases	–	–	–
3.3 Profits recognized in:	–	–	–
3.3.1 Income Statement	–	–	–
– of which Capital gains	–	–	–
3.3.2 Equity	X	X	–
3.4 Transfers to other levels	–	–	–
3.5 Other decreases	–	–	–
4. Closing Balance	**–**	**–**	**340,503**

A.4.5.4 Assets and liabilities that are not designated at fair value or are designated at fair value on a non-recurring basis: breakdown by fair value level

Financial assets/liabilities that are not measured at fair value or measured at fair value on a non-recurring basis	31.12.2016				31.12.2015			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Investments held to maturity	–	–	–	–	–	–	–	–
2. Loans to banks	6,384,763	–	6,384,763	–	4,200,736	–	4,200,736	–
3. Loans to Customers	28,915,280	–	–	30,616,284	27,444,047	–	–	29,133,162
4. Investment property	8,273	–	–	20,839	8,505	–	–	20,900
Non-current assets held for sale and disposal groups	–	–	–	–	–	–	–	–
Total	35,308,316	–	6,384,763	30,637,123	31,653,288	–	4,200,736	29,154,062
1. Due to banks	6,089,790	–	6,089,790	–	4,870,847	–	4,870,847	–
2. Due to Customers	23,426,472	–	23,426,472	–	21,465,749	–	21,465,749	–
3. Debt securities issued	7,590,090	–	7,223,435	339,056	8,753,616	–	7,932,188	831,807
4. Non-current liabilities held for sale and discontinued operations	–	–	–	–	–	–	–	–
Total	37,106,352	–	36,739,697	339,056	35,090,212	–	34,268,784	831,807

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 recovery expectations based on the manager’s subjective assessment.

Similarly, it is pointed out that the fair value of performing loans, classified at Level 3 has been calculated based on models that use mainly unobservable inputs (e.g: internal risk parameters).

Because of these reasons, as well as because there is no secondary market, the fair value recognized, for disclosure purposes only, could be even 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 reported that this case does not apply to Crédit Agricole Cariparma’s financial statements.

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 CASH AND CASH EQUIVALENTS: COMPOSITION

	31.12.2016	31.12.2015
a) Cash	151,933	161,619
b) Demand deposits with Central Banks	–	1,150,000
Total	**151,933**	**1,311,619**

Section 2 – Financial assets held for trading – Item 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY TYPE

Items/Values	31.12.2016			31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On–balance–sheet assets						
1. Debt securities	3	–	–	3	–	39
1.1 Structured Securities	–	–	–	–	–	–
1.2 Other debt securities	3	–	–	3	–	39
2. Equity securities	–	–	–	–	–	–
3. Units of collective investment undertakings	–	–	–	–	–	–
4. Loans	–	–	–	–	–	–
4.1 Repurchase agreements	–	–	–	–	–	–
4.2 Other	–	–	–	–	–	–
Total A	**3**	**–**	**–**	**3**	**–**	**39**
B. Derivatives						
1. Financial Derivatives	–	82,716	552	–	100,263	–
1.1 held for trading	–	82,716	552	–	100,263	–
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	**–**	**82,716**	**552**	**–**	**100,263**	**–**
Total (A+B)	**3**	**82,716**	**552**	**3**	**100,263**	**39**

2.2 FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY DEBTOR/ISSUER

Items/Values	31.12.2016	31.12.2015
A. On–balance–sheet assets		
1. Debt securities	3	42
a) Governments and Central Banks	3	3
b) Other public entities	–	–
c) Banks	–	38
c) Other issuers	–	1
2. Equity securities	–	–
a) Banks	–	–
c) Other issuers:	–	–
– Insurance undertakings	–	–
– financial companies	–	–
– non–financial corporations	–	–
– other	–	–
3. Units of collective investment undertakings	–	–
4. Loans	–	–
a) Governments and Central Banks	–	–
b) Other public entities	–	–
c) Banks	–	–
c) Other parties	–	–
Total A	3	42
B. Derivatives		
a) Banks	–	–
– fair value	9,037	8,872
b) Customers	–	–
– fair value	74,231	91,391
Total B	83,268	100,263
Total (A+B)	83,271	100,305

Section 4 – Financial assets available for sale – Item 40

4.1 FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY TYPE

Items/Values	31.12.2016			31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	3,984,824	–	–	4,222,492	–	5,775
1.1 Structured Securities	–	–	–	–	–	–
1.2 Other debt securities	3,984,824	–	–	4,222,492	–	5,775
2. Equity securities	13,300	–	178,746	15,445	–	170,297
2.1 Designated at fair value	13,300	–	174,344	15,445	–	167,895
2.2 Measured at cost	–	–	4,402	–	–	2,402
3. Units of collective investment undertakings	–	–	356	–	–	459
4. Loans	–	–	–	–	–	–
Total	3,998,124	–	179,102	4,237,937	–	176,531

The equity securities held and designated as level 1 fair value consist of Unipol SAI stocks that were assigned to Cariparma at maturity of the convertible bond (which, in 2014, was recognized in the “Financial assets designated at fair value” category).

The main equity securities carried at cost are:
- Cattleya S.r.l. (book value Euro 2,500 thousand, since there is no market, not even a secondary one, and the standard measurement methods cannot be used due to the specific operations performed);
- Wildside S.r.l. (book value Euro 1,500 thousand, whose fair value is equal to the cost, since there is no market, not even a secondary one, and the standard measurement methods cannot be used due to the specific operations performed);
- CA Fiduciaria S.p.A. (book value Euro 400 thousand, whose fair value is equal to the cost, since there is no market, not even a secondary one, and the standard measurement methods cannot be used due to the specific operations performed);

In general, equity securities have been measured at cost, since it was not possible to reliably measure their fair value, because, for such securities, there is no active marker, there were no recent transactions, similar securities could not be found and adequate measurement models could not be applied.

4.2 FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY DEBTOR/ISSUER

Items/Values	31.12.2016	31.12.2015
1. Debt securities	**3,984,824**	**4,228,267**
a) Governments and Central Banks	3,984,824	4,222,492
b) Other public entities	–	–
c) Banks	–	–
c) Other issuers	–	5,775
2. Equity securities	**192,046**	**185,742**
a) Banks	152,350	152,350
c) Other issuers:	39,696	33,392
– Insurance undertakings	13,300	15,446
– financial companies	8,089	1,768
– non–financial corporations	18,307	16,178
– other	–	–
3. Units of collective investment undertakings	**356**	**459**
4. Loans	**–**	**–**
a) Governments and Central Banks	–	–
b) Other public entities	–	–
c) Banks	–	–
c) Other parties	–	–
Total	**4,177,226**	**4,414,468**

The units of collective investment undertakings refer to the investment in Fondo Immobiliare Leopardi, which refers to the AEDES restructuring.

4.3 FINANCIAL ASSETS AVAILABLE FOR SALE IN MICRO-HEDGED PORTFOLIOS

As at 31 December 2016, securities in the micro-hedge portfolio for interest rate risk amounted to Euro 3,944 million.

Section 6 – Loan to banks – Item 60

6.1 LOAN TO BANKS: COMPOSITION BY TYPE

Type of transactions/Values	31.12.2016				31.12.2015			
	VB	FV			VB	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Claims on Central Banks	**327,894**	**–**	**327,894**	**–**	**294,284**	**–**	**294,284**	**–**
1. Fixed–term deposits	–	X	X	X	–	X	X	X
2. Reserve requirement	327,894	X	X	X	294,284	X	X	X
3. Repurchase agreements	–	X	X	X	–	X	X	X
4. Other	–	X	X	X	–	X	X	X
B. Loans to Banks	**6,056,869**	**–**	**6,407,582**	**–**	**3,906,452**	**–**	**2,574,825**	**–**
1. Loans	6,056,869	–	6,056,869	–	3,555,739	–	2,224,112	–
1.1 Current accounts and demand deposits	292,013	X	X	X	190,071	X	X	X
1.2 Fixed–term deposits	5,160,711	X	X	X	2,739,027	X	X	X
1.3 Other loans:	604,145	X	X	X	626,641	X	X	X
– Repurchase agreements for lending purposes	–	X	X	X	–	X	X	X
– Finance leases	–	X	X	X	–	X	X	X
– Other	604,145	X	X	X	626,641	X	X	X
2. Debt securities	–	–	350,713	–	350,713	–	350,713	–
2.1 Structured Securities	–	X	X	X	–	X	X	X
2.2 Other debt securities	–	X	X	X	350,713	X	X	X
Total	**6,384,763**	**–**	**6,735,476**	**–**	**4,200,736**	**–**	**2,869,109**	**–**

Key:
FV = fair value
VB = book value

The “Fixed-term deposits” reports the reserve requirement held with the Bank of Italy.

As at 31 December 2016, there were no non-performing loans to banks.

6.2 LOANS TO BANKS IN MICRO-HEDGE PORTFOLIOS

As at 31 December 2016, there were no loans to banks subject to micro-hedging.

6.3 FINANCE LEASES

As at 31 December 2016, there were no loans to banks resulting from finance lease transactions.

Section 7 – Loans to customers – Item 70

7.1 LOANS TO CUSTOMERS: COMPOSITION BY TYPE

Type of transactions/Values	31.12.2016						31.12.2015					
	Book value			Fair value			Book value			Fair value		
	Performing	Non-performing		L1	L2	L3	Performing	Non-performing		L1	L2	L3
		Purchased	Other					Purchased	Other			
Loans	26,677,509	-	2,077,204	-	-	30,455,717	25,112,377	-	2,171,308	-	-	-
1. Current accounts	1,665,757	-	485,213	X	X	X	1,892,718	-	512,851	X	X	X
2. Repurchase agreements for lending purposes	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgage loans	17,640,280	-	1,386,241	X	X	X	17,112,617	-	1,418,492	X	X	X
4. Credit cards, personal loans and loans repaid by automatic deductions from salaries	175,149	-	7,745	X	X	X	233,092	-	11,036	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	7,196,323	-	198,005	X	X	X	5,873,950	-	228,929	X	X	X
Debt securities	160,567	-	-	-	-	160,567	160,362	-	-	-	-	-
8. Structured Securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	160,567	-	-	X	X	X	160,362	-	-	X	X	X
Total	26,838,076	-	2,077,204	-	-	30,616,284	25,272,739	-	2,171,308	-	-	-

Key:
L1 = level 1
L2 = level 2
L3 = level 3

7.2 LOANS TO CUSTOMERS: COMPOSITION BY DEBTOR/ISSUER

Type of transactions/Values	31.12.2016			31.12.2015		
	Performing	Non-performing		Performing	Non-performing	
		Purchased	Other		Purchased	Other
1. Debt securities:	**160,567**	**–**	**–**	**160,362**	**–**	**–**
a) Governments	–	–	–	–	–	–
b) Other public entities	–	–	–	–	–	–
c) Other issuers	160,567	–	–	160,362	–	–
– non-financial corporations	–	–	–	–	–	–
– financial companies	–	–	–	–	–	–
– insurance undertakings	160,567	–	–	160,362	–	–
– other	–	–	–	–	–	–
2. Loans to:	**26,677,509**	**–**	**2,077,204**	**25,112,377**	**–**	**2,171,308**
a) Governments	33,250	–	–	24,908	–	–
b) Other public entities	56,372	–	1	67,889	–	4,832
c) Other parties	26,587,887	–	2,077,203	25,019,580	–	2,166,476
– non-financial corporations	9,928,067	–	1,633,674	9,664,994	–	1,711,234
– financial companies	5,168,376	–	32,506	4,407,836	–	37,082
– insurance undertakings	56,381	–	–	56,964	–	4
– other	11,435,063	–	411,023	10,889,786	–	418,156
Total	**26,838,076**	**–**	**2,077,204**	**25,272,739**	**–**	**2,171,308**

7.3 LOANS TO CUSTOMERS: ASSETS IN MICRO-HEDGE PORTFOLIOS

As at 31 December 2016, loans to customers in the micro-hedge portfolio for interest rate risk amounted to Euro 160,567 thousand.

7.4 FINANCE LEASES

As at 31 December 2016, there were no loans to customers resulting from finance lease transactions.

Section 8 – Hedging derivatives – Item 80

8.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE AND BY LEVEL

	Fair Value 31.12.2016			Notional Value 31.12.2016	Fair Value 31.12.2015			Notional Value 31.12.2015
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial Derivatives	–	558,160	–	12,587,534	–	511,573	–	11,939,771
1) Fair value	–	558,160	–	12,587,534	–	511,573	–	11,939,771
2) Cash flows	–	–	–	–	–	–	–	–
3) Investments in foreign operations	–	–	–	–	–	–	–	–
B. Credit derivatives	–	–	–	–	–	–	–	–
1) Fair value	–	–	–	–	–	–	–	–
2) Cash flows	–	–	–	–	–	–	–	–
Total	–	558,160	–	12,587,534	–	511,573	–	11,939,771

8.2 HEDGING DERIVATIVES: COMPOSITION 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	
	Interest rate risk	Exchange rate risk	Credit Risk	Price risk	Multiple risks				
1. Financial assets available for sale	10,940	–	–	–	–	X	–	X	X
2. Loans and Receivables	22,404	–	–	X	–	X	–	X	X
3. Investments held to maturity	X	–	–	X	–	X	–	X	X
4. Portfolio	X	X	X	X	X	–	X	–	X
5. Other transactions	–	–	–	–	–	X	–	X	–
Total Assets	33,344	–	–	–	–	–	–	–	–
1. Financial liabilities	524,816	–	–	X	–	X	–	X	X
2. Portfolio	X	X	X	X	X	–	X	–	X
Total liabilities	524,816	–	–	–	–	–	–	–	
1. Expected transactions	X	X	X	X	X	X	–	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	–	X	–	–

The “Hedging Derivatives” item referring to financial liabilities consisted of Euro 96,869 thousand for hedging own bonds issued and Euro 427,947 thousand for macrohedging of fixed-rate demand deposits.

Section 9 – Fair value change of financial assets in macro-hedge portfolios – Item 90

9.1 FAIR VALUE CHANGE OF HEDGED ASSETS COMPOSITION BY HEDGED PORTFOLIO

Adjustments of hedged assets/Values	31.12.2016	31.12.2015
1. Positive adjustment	**5,088**	**6,620**
1.1 of specific portfolios:	5,088	6,620
a) loans	5,088	6,620
b) financial assets available for sale	–	–
1.2 total	–	–
2. Negative adjustment	**–**	**–**
2.1 of specific portfolios:	–	–
a) loans	–	–
b) financial assets available for sale	–	–
2.2 total	–	–
Total	**5,088**	**6,620**

9.2 ASSETS IN THE MACRO-HEDGE PORTFOLIO FOR INTEREST RATE RISK

Type of transaction/Values	31.12.2016	31.12.2015
Loans and Receivables	674,399	353,873
Assets available for sale	–	–
Portfolio	–	–
Total	**674,399**	**353,873**

Section 10 – Equity investments – Item 100

10.1 EQUITY INVESTMENTS: DISCLOSURE ON EQUITY INVESTMENTS IN OTHER ENTITIES

Name	Registered Office	Operating HQ	% held	% of votes
A. Subsidiaries				
Sliders S.r.l.	Milan, Italy		100.00	
Italstock S.r.l.	Milan, Italy		100.00	
Crédit Agricole Group Solutions	Parma, Italy		86.68	
Crédit Agricole Leasing Italia – Calit S.r.l.	Milan, Italy		85.00	
Crédit Agricole FriulAdria S.p.A.	Pordenone, Italy		80.33	80.71
Crédit Agricole Carispezia S.p.A.	La Spezia, Italy		80.00	
Crédit Agricole Italia OBG S.r.l.	Milan, Italy		60.00	
B. Joint arrangements				
not present				
A. Companies subject to significant influence				
MondoMutui Cariparma S.r.l.	Milan, Italy		19.00	

10.5 EQUITY INVESTMENTS: CHANGES FOR THE YEAR

	31.12.2016	31.12.2015
A. Opening balance	**1,310,009**	**1,287,509**
B. Increases	**1,730**	**35,000**
B.1 Purchases	1,730	35,000
B.2 Writebacks	–	–
B.3 Revaluations	–	–
B.4 Other changes	–	–
C. Decreases	**348**	**12,500**
C.1 Sales	–328	12,500
C.2 Value adjustments	–20	–
C.3 Other changes	–	–
D. Closing balance	**1,311,391**	**1,310,009**
E. Total writebacks	–	–
F. Total adjustments	–	–

Section 11 – Property, plant and equipment – Item 110

11.1 OPERATING PROPERTY, PLANT AND EQUIPMENT: COMPOSITION OF ASSETS MEASURED AT COST

Assets/Values	31.12.2016	31.12.2015
1. Owned	**297,451**	**276,825**
a) land	82,194	77,694
b) buildings	192,208	175,481
c) furniture	12,695	13,059
d) electronic equipment	4,754	5,726
e) other	5,600	4,865
2. Acquired under finance leases	–	–
a) land	–	–
b) buildings	–	–
c) furniture	–	–
d) electronic equipment	–	–
e) other	–	–
Total	**297,451**	**276,825**

11.2 INVESTMENT PROPERTY, PLANT AND EQUIPMENT: COMPOSITION OF ASSETS MEASURED AT COST

Assets/Values	31.12.2016				31.12.2015			
	Book value	*Fair value*			Book value	*Fair value*		
		L1	L2	L3		L1	L2	L3
1. Owned	**8,273**	**–**	**–**	**20,839**	**8,505**	**–**	**–**	**20,900**
a) land	2,989	–	–	11,440	2,989	–	–	11,440
b) buildings	5,284	–	–	9,399	5,516	–	–	9,460
2. Acquired under finance leases	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
a) land	–	–	–	–	–	–	–	–
b) buildings	–	–	–	–	–	–	–	–
Total	**8,273**	**–**	**–**	**20,839**	**8,505**	**–**	**–**	**20,900**

Key:
L1 = level 1
L2 = level 2
L3 = level 3

11.5 OPERATING PROPERTY, PLANT AND EQUIPMENT: CHANGES FOR THE YEAR

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Opening gross balance	**77,694**	**329,025**	**77,296**	**50,461**	**47,032**	**581,508**
A.1 Total net writedowns	–	153,543	64,238	44,736	42,168	304,685
A.2 Opening net balance	77,694	175,482	13,058	5,725	4,864	276,823
B. Increases	**4,500**	**24,037**	**2,353**	**2,093**	**1,917**	**34,900**
B.1 Purchases	4,500	5,935	2,353	2,093	1,917	16,798
B.2 Capitalized improvement expenses	–	18,102	–	–	–	18,102
B.3 Writebacks	–	–	–	–	–	–
B.4 Fair value gains recognized in:	–	–	–	–	–	–
a) Equity	–	–	–	–	–	–
b) Income Statement	–	–	–	–	–	–
B.5 Positive exchange rate differences	–	–	–	–	–	–
B.6 Transfers from investment property	–	–	–	–	–	–
B.7 Other changes	–	–	–	–	–	–
A. Decreases	**–**	**7,311**	**2,716**	**3,064**	**1,181**	**14,272**
C.1 Sales	–	12	127	–	3,245	3,384
C.2 Depreciation	–	7,043	2,483	2,976	–2,067	10,435
C.3 Impairment losses recognized in:	–	–	–	–	–	–
a) Equity	–	–	–	–	–	–
b) Income Statement	–	–	–	–	–	–
C.4 Fair value losses recognized in:	–	–	–	–	–	–
a) Equity	–	–	–	–	–	–
b) Income Statement	–	–	–	–	–	–
C.5 Negative exchange rate differences	–	–	–	–	–	–
C.6 Transfers to:	–	–	–	–	–	–
a) Investment property	–	–	–	–	–	–
b) discontinuing operations	–	–	–	–	–	–
C.7 Other changes	–	256	106	88	3	453
B. Closing net balance	**82,194**	**192,208**	**12,695**	**4,754**	**5,600**	**297,451**
D.1 Total net writedowns	–	160,586	66,721	47,712	40,101	315,120
D.2 Closing gross balance	82,194	352,794	79,416	52,466	45,701	612,571
E. Measurement at cost	**–**	**–**	**–**	**–**	**–**	**–**

11.6 INVESTMENT PROPERTY, PLANT AND EQUIPMENT: CHANGES FOR THE YEAR

	31.12.2016	
	Land	Buildings
A. Opening balance	2,989	5,515
B. Increases	–	34
B.1 Purchases	–	–
B.2 Capitalized improvement expenses	–	34
B.3 Fair value gains	–	–
B.4 Writebacks	–	–
B.5 Positive exchange rate differences	–	–
B.6 Transfers from operating assets	–	–
B.7 Other changes	–	–
C. Decreases	–	265
C.1 Sales	–	48
C.2 Depreciation	–	217
C.3 Fair Value losses	–	–
C.4 Writedowns for impairment	–	–
C.5 Negative exchange rate differences	–	–
C.6 Transfers to other assets portfolios	–	–
a) operating assets	–	–
b) non–current assets held for sale	–	–
C.7 Other changes	–	–
D. Closing balance	2,989	5,284
E. Designated at fair value	11,440	9,399

Section 12 – Intangible assets – Item 120

12.1 INTANGIBLE ASSETS: COMPOSITION BY TYPE OF ASSET

Assets/Values	31.12.2016		31.12.2015	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	922,340	X	922,340
A.2 Other intangible assets	111,824	–	128,183	–
A.2.1 Assets measured at cost:	111,824	–	128,183	–
a) Intangible assets developed in–house	–	–	–	–
b) Other assets	111,824	–	128,183	–
A.2.2 Assets designated at fair value:	–	–	–	–
a) Intangible assets developed in–house	–	–	–	–
b) Other assets	–	–	–	–
Total	111,824	922,340	128,183	922,340

The cost of intangible assets with finite life is amortized on a straight-line basis over the useful life of the asset, which, for all software has been set at 5 years. The useful life of some types of software, specifically identified, has been estimated in 10 years.

Intangible assets representing business with customers have been assigned a finite useful life set at 15 years, based on the time series available on the rate of customer turnover in the Retail segment.

12.2 INTANGIBLE ASSETS: CHANGES FOR THE YEAR

	Goodwill	Other intangible assets: developed in–house		Other intangible assets: other		Total
		with finite life	with indefinite life	with finite life	with indefinite life	
A. Opening balance	**922,340**	**–**	**–**	**250,658**	**–**	**1,172,998**
A.1 Total net writedowns	–	–	–	122,474	–	122,474
A.2 Opening net balance	922,340	–	–	128,184	–	1,050,524
B. Increases	**–**	**–**	**–**	**–**	**–**	**–**
B.1 Purchases	–	–	–	–	–	–
B.2 Increases in internal intangible assets	X	–	–	–	–	–
B.3 Writebacks	X	–	–	–	–	–
B.4 Fair value gains	–	–	–	–	–	–
– in Equity	X	–	–	–	–	–
– in the Income Statement	X	–	–	–	–	–
B.5 Positive exchange rate differences	–	–	–	–	–	–
B.6 Other changes	–	–	–	–	–	–
C. Decreases	**–**	**–**	**–**	**–**	**–**	**–**
C.1 Sales	–	–	–	16,360	–	16,360
C.2 Adjustments	–	–	–	–	–	–
– Amortization	–	–	–	16,360	–	16,360
– Write–downs:	X	–	–	16,360	–	16,360
+ Equity	–	–	–	–	–	–
+ Income Statement	X	–	–	–	–	–
C.3 Fair Value losses	–	–	–	–	–	–
– in Equity	–	–	–	–	–	–
– in the Income Statement	X	–	–	–	–	–
C.4 Transfers to non–current assets held for sale	X	–	–	–	–	–
C.5 Negative exchange rate differences	–	–	–	–	–	–
C.6 Other changes	–	–	–	–	–	–
D. Closing net balance	**–**	**–**	**–**	**–**	**–**	**–**
D.1 Total net value adjustments	922,340	–	–	111,824	–	1,034,164
E. Closing gross balance	**–**	**–**	**–**	**138,834**	**–**	**138,834**
F. Measurement at cost	**922,340**	**–**	**–**	**250,658**	**–**	**1,172,998**
	–	–	–	–	–	–

12.3 OTHER INFORMATION

Impairment testing of intangible assets with finite useful life

Within the transactions made in 2007 and 2011 by Crédit Agricole Cariparma to purchase of a portfolio of branches, through a Price Purchase Allocation process, a set of assets with finite useful life was identified, in accordance with the different sources of recurring profitability associated to business with Customers.

Their duration was defined based on the available time series on the turnover rates of Customers in the Retail+Private Banking segment, over a period of 15 years.

At the end of 2016 it was verified that the value of the elements making up the intangible assets that were acquired within the scope of the transactions made in 2007 and calculated as the present value of future cash flows, was still higher than the value initially recognized, and specifically:

- For the component relating to loans to Customers, the present value was calculated taking into account the rate of early repayment of mortgage loans between March 2008 and November 2016, the cost of credit (the 2013-2016 average) and the long-term taxation level;
- For the component relating to demand deposits, a progressive increase in volumes (and therefore of their stable component) was observed from the time of purchase;
- For the component relating to net fee and commission income, the present value of fee and commission income was recalculated taking account of the expected level of fee and commission income from "banking services".

The analysis had a favourable outcome.

Therefore, the total value of the intangible assets acquired in 2007 was found higher than their book value, amounting to Euro 58,930 thousand as at 31 December 2016.

At the end of 2016 it was verified that the value of each of the elements making up the intangible assets that were recognized within the scope of the transactions made in 2011 and calculated as the present value of future cash flows, was still higher than the recognized value and specifically:

- For the component relating to demand deposits, volumes were essentially in line with the date of purchase and their measurement took into account the introduction of the Multiple ITR System;
- With regard to Net Fee and Commission Income, the changes in Wealth Management fee and commission income for Assets under Administration and Assets under Management for 2011, 2012, 2013, 2014, 2015 and 2017 budgets, as well as the relevant 15-year perspective forecasts were analyzed.
- The total value of the intangible assets acquired was found higher than their book value, amounting to Euro 52,894 thousand as at 31 December 2016.

Impairment testing of goodwill

As required by IASs/IFRSs, Crédit Agricole Cariparma tested for impairment the goodwill emerged from the transactions for the acquisition of the 180 branches purchased in 2007 and the 81 branches purchased in 2011.

First the Cash Generating Unit (CGU) was identified, i.e. the minimum unit generating cash flows, to which goodwill (equal to Euro 922,340 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 Cariparma (which includes the 180 branches acquired in 2007 and the 81 acquired in 2011).

The CGU value in use has been calculated consistently with the method adopted by the Crédit Agricole Group S.A. Group, i.e. using the Discounted Cash Flows method and compared with the own funds used.

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 test showed that the CGU value is higher than the relevant goodwill value.

This result also held when the parameters were varied (within a reasonable range of fluctuation). More specifically, the sensitivity analysis was carried out varying the parameters as follows:

- risk-free rate: variation range between 0.22% (rate of 10Y Bunds in December 2016) and 3.85% (average yield in the last 10 years of the Italian Government bond 10Y BTP);
- beta: variation range between 1.11 (average Beta of a sample of medium-sized listed Italian Banks) and 1.20;
- risk premium: variation range between 3.10% (1900-2015 geometric mean, source "Equity Risk Premiums (ERP): Determinants, Estimation and Implications – The 2016 Edition", Aswath Damodaran, March 2016) and the maximum rate so that the test result is positive.

Also in these cases the outcome of the sensitivity analysis was favourable.

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 (12.83%), whereas, with a long-term growth rate equal to zero, the use value would remain higher than the book value.

A consistent method was used to verify any need to make adjustments to the value of the equity investments held in Crédit Agricole Carispezia, Crédit Agricole FriulAdria and Crédit Agricole Leasing Italia in the Separate Financial Statements. The capital absorbed over the RWAs of the two investee Banks was calculated using an 8% parameter, in line with the one used in the previous years and higher than the individual minimum requirement set down by the regulation.

The value in use of the equity investments in Crédit Agricole FriulAdria e in Crédit Agricole Carispezia was found, in both cases, higher than cost; therefore, no impairment writedown was required.

In accordance with the amendments to the regulations applicable to financial intermediaries (that is to say, Bank of Italy Circular No. 216 of 5 August 1996 as updated) eliminating the 25% RWA benefit, for Crédit Agricole Leasing Italia, the capital absorbed was calculated using a 6.0% parameter. In this situation, no need for impairment adjustments would be detected, since the value in use of the equity investment was found higher than its book value.

Section 13 – Tax Assets and Tax Liabilities – Item 130 of Assets and Item 80 of Liabilities

13.1 DEFERRED TAX ASSETS: COMPOSITION

	(*)	REVERSAL TIMEFRAME						TAX		
Deductible temporary differences		2017	2018	2019	Beyond	Undetermined reversal	Total recognized	Italian corporate income tax (IRES)	Italian Regional Tax on Productive Activities (IRAP)	TOTAL
Value adjustments of loans [1]	from 27.50 to 33.078	61,944	77,430	92,916	503,523	–	735,814	202,349	27,562	229,911
Adjustments of valuation of securities	33.0780	–	18	–	9,829	144	9,991	2,748	557	3,305
Provisions for risks and charges										
– legal disputes as defendant and revocatory actions	27.50	34,751	1,179	2,293	377	–	38,600	10,615	–	10,615
– signature loans	27.50	–	–	–	–	4,404	4,404	1,211	–	1,211
– staff expenses	from 27.50 to 33.078	19,529	13,542	9,346	7,172	4,677	54,265	14,923	2,387	17,309
– other reasons	from 27.50 to 33.078	1,667	39	29	–	36,692	38,426	10,567	1,705	12,272
Recognition of goodwill for tax purposes	33.0780	92,414	147,524	147,524	657,941	–	1,045,403	287,485	58,313	345,798
Other costs or provisions not yet deducted	from 27.50 to 33.078	612	612	612	24,277	22,163	48,277	13,281	1,304	14,585
Total by reversal year		**210,917**	**240,344**	**252,719**	**1,203,119**	**68,080**	**1,975,180**	**543,179**	**91,828**	**635,006**

(1) For adjustments since 2013, also IRAP has been applied.
(*) Indicates the percentage applied in calculating deferred tax liabilities and assets.

13.2 DEFERRED TAX LIABILITIES: COMPOSITION

	(*)		REVERSAL TIMEFRAME						TAX		
Taxable temporary differences		2017	2017	2018	2019	Beyond	Undetermined reversal	Total recognized	Italian corporate income tax (IRES)	Italian Regional Tax on Productive Activities (IRAP)	TOTAL
Realized capital gains	from 27.50 to 33.078		10,953	6,175	6,127	2,402	–	25,657	7,056	–	7,056
Assets not recognized for tax purposes	from 27.50 to 33.078		2,793	22,342	915	19,965	63,594	109,608	29,622	5,756	35,378
Tax-relevant depreciation and amortization	from 27.50 to 33.078		40	160	–	–	52	251	69	3	72
Total by reversal year		**0**	**13,786**	**28,676**	**7,042**	**22,367**	**63,646**	**135,517**	**36,747**	**5,759**	**42,506**

(*) Indicates the percentage applied in calculating deferred tax liabilities and assets.

13.3 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN THE INCOME STATEMENT)

	31.12.2016	31.12.2015
1. Opening balance	**658,589**	**673,847**
2. Increases	**24,820**	**31,633**
2.1 Deferred tax assets recognized in the year	23,558	29,938
a) referring to previous years	–	–
b) due to change in accounting policies	–	–
c) writebacks	–	–
d) other	23,558	29,938
2.2 New taxes or increases in tax rates	–	–
2.3 Other increases	1,262	1,695
3. Decreases	**56,701**	**46,891**
3.1 Deferred tax assets derecognized in the year	56,208	46,891
a) reversals	56,208	46,256
b) write–downs for supervening non–recoverability	–	–
c) change in accounting policies	–	–
d) other	–	635
3.2 Reduction in tax rates	17	–
3.3 Other decreases	476	–
a) conversion into tax receivables pursuant to It. Law 214/2011	–	–
b) other	476	–
4. Closing balance	**626,708**	**658,589**

The "Other increases" and "Other decreases" under points 2.3 and 3.3 refer to the increases or decreases resulting from more accurate recognition of deferred tax assets after the Bank filed its income tax return. The related balancing item is not represented by income statement items, but by current tax liabilities.

13.3.1 Changes in deferred tax assets pursuant to Law 214/2011 (recognized in the Income Statement)

	31.12.2016	31.12.2015
1. Opening balance	**616,902**	**628,129**
2. Increases	**63**	**19,241**
3. Decreases	**42,581**	**30,468**
3.1 Reversals	42,564	30,467
3.2 Conversion into tax receivables	–	–
a) from loss for the year	–	–
b) from tax losses	–	–
3.3 Other decreases	17	1
4. Closing balance	**574,384**	**616,902**

Deferred tax assets pursuant to Italian Law 214/2011 were also recognized directly in equity for an amount of Euro 1,375 thousand. Therefore, total deferred tax assets that can be converted into tax receivables pursuant to Italian Law 214/2011 came to Euro 575,759 thousand.

13.4 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN THE INCOME STATEMENT)

	31.12.2016	31.12.2015
1. Opening balance	**26,866**	**24,239**
2. Increases	**4,756**	**4,181**
2.1 Deferred tax liabilities recognized in the year	4,756	4,098
a) referring to previous years	–	–
b) due to change in accounting policies	–	–
c) other	4,756	4,098
2.2 New taxes or increases in tax rates	–	–
2.3 Other increases	–	83
3. Decreases	**2,530**	**1,554**
3.1 Deferred tax liabilities derecognized in the year	2,518	1,511
a) reversals	2,518	1,511
b) due to change in accounting policies	–	–
c) other	–	–
3.2 Reduction in tax rates	1	–
3.3 Other decreases	11	43
4. Closing balance	**29,092**	**26,866**

The “Other increases” and “Other decreases” under points 2.3 and 3.3 refer to the increases or decreases resulting from more accurate recognition of deferred tax liabilities after the Bank filed its income tax return.

13.5 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN EQUITY)

	31.12.2016	31.12.2015
1. Opening balance	**6,756**	**10,492**
2. Increases	**3,811**	**3,072**
2.1 Deferred tax assets recognized in the year	3,511	13
a) referring to previous years	–	–
b) due to change in accounting policies	–	–
c) other	3,511	13
2.2 New taxes or increases in tax rates	–	–
2.3 Other increases	300	3,059
3. Decreases	**2,269**	**6,808**
3.1 Deferred tax assets derecognized in the year	106	6,808
a) reversals	106	6,808
b) write–downs for supervening non–recoverability	–	–
b) due to change in accounting policies	–	–
d) other	–	–
3.2 Reduction in tax rates	–	–
3.3 Other decreases	2,163	–
4. Closing balance	**8,298**	**6,756**

(*) The increase in taxes was mainly due to the increase in the measured valued of AFS securities of Euro 3,291 thousand.

13.6 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN EQUITY)

	31.12.2016	31.12.2015
1. Opening balance	**43,849**	**41,713**
2. Increases	**479**	**18,717**
2.1 Deferred tax liabilities recognized in the year	479	18,717
a) referring to previous years	–	–
b) due to change in accounting policies	–	–
c) other	479	18,717
2.2 New taxes or increases in tax rates	–	–
2.3 Other increases	–	–
3. Decreases	**30,914**	**16,581**
3.1 Deferred tax liabilities derecognized in the year	30,913	16,581
a) reversals	30,913	16,581
b) due to change in accounting policies	–	–
c) other	–	–
3.2 Reduction in tax rates	1	–
3.3 Other decreases	–	–
4. Closing balance	**13,414**	**43,849**

(*) The decrease in taxes reports Euro 29,881 thousand referring to the measurement and disposal of AFS securities.

Section 15 – Other assets – Item 150

15.1 OTHER ASSETS: COMPOSITION

	31.12.2016	31.12.2015
Sundry debits in process	27,720	67,619
Stamp duty and other assets	236	191
Items being processed	31,465	18,726
Accrued income not allocated to other items	6,127	2,788
Deferred expenses not allocated to other items	78,257	67,280
Protested bills and cheques	652	1,236
Leasehold improvements	16,222	17,608
Tax advances paid on behalf of third parties	47,454	62,878
Sundry items	99,556	129,099
Total	**307,689**	**367,425**

LIABILITIES

Section 1 – Due to banks – Item 10

1.1 DUE TO BANKS: COMPOSITION BY TYPE

Type of transactions/Group component	31.12.2016	31.12.2015
1. Due to central banks	**1,900,000**	**1,402,561**
2. Due to banks	**4,189,790**	**3,468,286**
2.1 Current accounts and demand deposits	103,680	122,521
2.2 Fixed–term deposits	3,450,233	2,663,643
2.3 Loans	628,408	653,367
2.3.1 Repurchase agreements for funding purposes	–	1,005
2.3.2 Other	628,408	652,362
2.4 Liabilities in respect of commitments to repurchase own equity instruments	–	–
2.5 Other due	7,469	28,755
Total	**6,089,790**	**4,870,847**
Fair value – level 1	–	–
Fair value – level 2	6,089,790	4,870,847
Fair value – level 3	–	–
Total fair value	**6,089,790**	**4,870,847**

1.2 BREAKDOWN OF ITEM 10 “DUE TO BANKS”: SUBORDINATED LIABILITIES

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in foreign currency	Book value
Subordinated deposit	17 Dec. 2008	17 Dec. 2018	5 equal instalments from December 2014	3M Euribor + 334 b.p.	euro	250,000	100,101
Subordinated deposit	30 Mar. 2011	30 Mar. 2021	5 equal instalments from March 2017	3M Euribor + 220 b.p	euro	400,000	400,021

1.3 BREAKDOWN OF ITEM 10 “DUE TO BANKS”: STRUCTURED LIABILITIES

At the end of 2016, there were no structured liabilities to banks.

1.4 DUE TO BANKS IN MICRO-HEDGE PORTFOLIOS

At the end of 2016 there were no dues to banks in the micro-hedge portfolio.

1.5 LIABILITIES FOR FINANCE LEASES

As at 31 December 2016, there were no dues to banks resulting from finance lease transactions.

Section 2 – Due to customers – Item 20

2.1 DUE TO CUSTOMERS: COMPOSITION BY TYPE

Type of transactions/Group component	31.12.2016	31.12.2015
1. Current accounts and demand deposits	22,350,150	20,456,282
2. Fixed–term deposits	909,454	907,879
3. Loans	4,867	6,378
3.1 Repurchase agreements for funding purposes	–	–
3.2 other	4,867	6,378
4. Liabilities for commitments to repurchase own equity instruments	–	–
5. Other due and payables	162,001	95,210
Total	**23,426,472**	**21,465,749**
Fair value – Level 1	–	–
Fair value – Level 2	23,426,472	21,465,749
Fair value – Level 3	–	–
Total fair value	**23,426,472**	**21,465,749**

2.2 BREAKDOWN OF ITEM 20 “DUE TO CUSTOMERS”: SUBORDINATED LIABILITIES

At the end of 2016, there were no subordinated liabilities to Customers.

2.3 BREAKDOWN OF ITEM 20 “DUE TO CUSTOMERS”: STRUCTURED LIABILITIES

As at 31 December 2016, there were no structured liabilities to Customers.

2.4 DUE TO CUSTOMERS IN MICRO-HEDGE PORTFOLIOS

As at 31 December 2016, there were no dues to customers in the micro-hedge portfolio.

2.5 LIABILITIES FOR FINANCE LEASES

As at 31 December 2016, there were no dues to customers resulting from finance lease transactions.

Section 3 – Debt securities issued – Item 30

3.1 DEBT SECURITIES ISSUED: COMPOSITION BY TYPE

Type of securities/values	31.12.2016				31.12.2015			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	7,249,173	–	7,221,501	–	8,039,204	–	7,929,432	120,048
1.1 Structured	–	–	–	–	108,627	–	109,286	–
1.2 other	7,249,173	–	7,221,501	–	7,930,577	–	7,820,146	120,048
2. Other securities	340,917	–	1,934	339,056	714,412	–	2,756	711,759
2.1 Structured	–	–	–	–	–	–	–	–
2.2 other	340,917	–	1,934	339,056	714,412	–	2,756	711,759
Total	**7,590,090**	**–**	**7,223,435**	**339,056**	**8,753,616**	**–**	**7,932,188**	**831,807**

The “Other securities – 2.2 other” sub-item reports certificates of deposit and banker’s drafts issued by Crédit Agricole Cariparma.

3.2 BREAKDOWN OF ITEM 30 “DEBT SECURITIES ISSUED”: SUBORDINATED SECURITIES

At the end of 2016, there were no debt subordinated securities issued.

3.3 DEBT SECURITIES ISSUED: SECURITIES IN MICRO-HEDGE PORTFOLIOS

As at 31 December 2016, securities in the micro-hedge portfolio for interest rate risk amounted to Euro 7,038 million.

Section 4 – Financial liabilities held for trading – Item 40

4.1 FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

Type of transactions/ group components	31.12.2016					31.12.2015				
	VN	Fair Value			FV *	VN	Fair Value			FV *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
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		–	93,853	–			–	109,753	–	
1.1 Held for trading	X	–	93,853	–	X	X	–	108,779	–	X
1.2 Associated with fair value option	X	–	–	–	X	X	–	–	–	X
1.3 Other	X	–	–	–	X	X	–	974	–	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**	**–**	**93,853**	**–**	**X**	**X**	**–**	**109,753**	**–**	**X**
Total (A+B)	**X**	**–**	**93,853**	**–**	**X**	**X**	**–**	**109,753**	**–**	**X**

Key:
FV* = fair value calculated excluding changes in value resulting from any change in the issuer's creditworthiness after the date of issue.
VN = nominal value or notional value.

Section 6 – Hedging derivatives – Item 60

6.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE AND BY HIERARCHY LEVEL

	Fair value 31.12.2016			Notional value 31.12.2016	*Fair value* 31.12.2015			Notional value 31.12.2015
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial Derivatives	**–**	**255,479**	**340,503**	**5,828,000**	**–**	**215,059**	**292,478**	**5,550,200**
1) Fair value	–	255,479	340,503	5,828,000	–	215,059	292,478	5,550,200
2) Cash flows	–	–	–	–	–	–	–	–
3) Investments in foreign operations	–	–	–	–	–	–	–	–
B. Credit derivatives	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1) Fair value	–	–	–	–	–	–	–	–
2) Cash flows	–	–	–	–	–	–	–	–
Total	**–**	**255,479**	**340,503**	**5,828,000**	**–**	**215,059**	**292,478**	**5,550,200**

6.2 HEDGING DERIVATIVES: COMPOSITION 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	
	Interest rate risk	Exchange rate risk	Credit Risk	Price risk	Multiple risks				
1. Financial assets available for sale	469,108	–	–	–	–	X	–	X	X
2. Loans and Receivables	25,367	–	–	X	–	X	–	X	X
3. Investments held to maturity	X	–	–	X	–	X	–	X	X
4. Portfolio	X	X	X	X	X		X		X
5. Other transactions	–	–	–		–	X	–	X	
Total Assets	494,475	–	–	–	–	–	–	–	–
1. Financial liabilities	101,507	–	–	X	–	X	–	X	X
2. Portfolio	X	X	X	X	X	–	X	–	X
Total liabilities	101,507	–	–		–	–	–	–	–
1. Expected transactions	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	–	X	–	–

The “Hedging Derivatives” item referring to financial liabilities consisted of Euro 88,127 thousand for hedging own bonds issued and Euro 13,380 thousand for macrohedging of fixed-rate demand deposits.

Section 7 – Fair value change of financial liabilities in macro-hedge portfolios – Item 70

7.1 FAIR VALUE CHANGE OF HEDGED FINANCIAL LIABILITIES

Value adjustment of hedged liabilities /Group components	31.12.2016	31.12.2015
1. Increase in fair value of hedged financial liabilities	390,588	385,862
2. Decrease in fair value of hedged financial liabilities	–	–
Total	**390,588**	**385,862**

The part of fixed-rate demand deposits that is considered stable by the internal model adopted by the Crédit Agricole Italia Banking Group is subject to macro-hedging.

7.2 LIABILITIES IN MACRO-HEDGE PORTFOLIOS FOR INTEREST RATE RISK: COMPOSITION

Type of transaction/Values	31.12.2016	31.12.2015
Financial liabilities	7,181,300	6,513,600

Section 8 – Tax Liabilities – Item 80

See Section 13 – Assets.

Section 10 – Other liabilities – Item 100

10.1 OTHER LIABILITIES: COMPOSITION

	31.12.2016	31.12.2015
Payables to vendors	53,121	54,324
Amounts due to third parties	194,792	140,479
Credit transfers ordered and being processed	31,914	21,896
Amounts payable to tax authorities on behalf of third parties	60,224	71,388
Advances on loans to mature	45	49
Adjustments for illiquid items	–	147,698
Staff expenses	43,706	45,219
Uncapitalized accrued expenses	9,952	12,175
Deferred income not allocated to other items	67,015	62,669
Risk hedging for guarantees issued and commitments	4,404	4,820
Sundry items	152,111	81,350
Total	**617,284**	**642,067**

Section 11 – Employee severance benefits – Item 110

11.1 EMPLOYEE SEVERANCE BENEFITS: CHANGES FOR THE YEAR

	31.12.2016	31.12.2015
A. Opening balance	**97,710**	**116,712**
B. Increases	**4,747**	**1,091**
B.1 Provision for the year	1,401	1,091
B.2. Other changes	3,346	–
C. Decreases	**3,346**	**20,093**
C.1 Severance payments	3,209	4,024
C.2 Other changes	137	16,069
D. Closing balance	**99,111**	**97,710**
Total	**99,111**	**97,710**

11.2 OTHER INFORMATION

Information explaining 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 the Severance Benefits accrued when the employment 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 the Italian Finance Act for 2007, 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 legislation, as well as of the relevant calculation guidelines that were issued by the Italian National Association of Actuaries and by the Organismo Italiano di Contabilità (the Italian National Accounting Body).

0.5% supplement to the provision for employee severance benefits

For the employees of Crédit Agricole Cariparma, 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, amounting 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 the employee severance benefits

For formerly Intesa employees, in case of employment termination, a supplementary amount is paid out, 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 net liabilities (assets) serving the defined-benefit plan and in rights to repayment (IAS 19, paragraphs 140 and 141)

The statement of reconciliation for 2016 of the present value of the plan obligation for Crédit Agricole Cariparma is given below:

Actuarial value of the obligation as at 1 Jan. 2016		**97,710**
a	Service cost	47
b	Interest cost	1,353
c	Transfer in/out	–
d.1	Actuarial gains/losses from changes in financial assumptions	3,346
d.2	Actuarial gains/losses from changes in demographic assumptions	–
d.3	Utili/ perdite attuariali risultanti dall'esperienza demografica	–137
e	Payments provided for by the Plan	–3,208
Actuarial value of the obligation as at 31.12.2016		**99,111**

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 measurement, appropriate demographic and economic assumptions must be used on:

- Mortality;
- Invalidity;
- Termination from the company (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 probabilities of exclusion due to death of employees on staff were calculated based on RGS48;

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 3.25% was used;

a.3 Annual probabilities 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, in compliance with the instructions of the Parent Company Crédit Agricole S.A., the rate adopted was IBOXX AA (duration 7-10 years) as at 31 December 2016, equal to 0.89%;

b.2 The cost of living index for white-collar and blue-collar workers, required for the revaluation of the employee severance benefits amounts allocated to provision, was assumed at 1.75%, upon the Parent Company's instructions;

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 31.12.2016	
Central assumption	**+50 bp**	**–50 bp**
99,111	95,722	102,697

Exclusion rate due to causes other than death of employees on staff

	Actuarial value of the obligation as at 31.12.2016	
Central assumption	**+50 bp**	**–50 bp**
99,111	101,306	97,036

Inflation rate

	Actuarial value of the obligation as at 31.12.2016	
Central assumption	**+100 bp**	**–100 bp**
99,111	98,628	99,639

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 12 – Provisions for risks and charges – Item 120

12.1 PROVISIONS FOR RISKS AND CHARGES: COMPOSITION

Items/Components	31.12.2016	31.12.2015
1 Company pension plans	16,377	17,269
2. Other provisions for risks and charges	131,692	101,702
2.1 legal disputes	39,834	40,920
2.2 staff expenses	54,523	37,392
2.3 other	37,335	23,390
Total	**148,069**	**118,971**

12.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES FOR THE YEAR

Items/Components	Pension plans	Other provisions	Total
A. Opening balance	**17,269**	**101,702**	**118,971**
B. Increases	**1,039**	**73,292**	**74,331**
B.1 Provision for the year	–	73,267	73,267
B.2 Changes due to time passing	240	25	265
C.2 Changes due to changes in the discount rate	–	–	–
B.4 Other changes	799	–	799
C. Decreases	**1,931**	**43,302**	**45,233**
C.1 Use in the year	1,931	35,383	37,314
C.2 Changes due to alterations in the discount rate	–	–	–
C.3 Other changes	–	7,919	7,919
D. Closing balance	**16,377**	**131,692**	**148,069**

12.3 COMPANY DEFINED-BENEFIT PENSION PLANS

1. Information explaining the characteristics of defined-benefit plans and risks associated with them

Through its defined-benefit pension Plans, Crédit Agricole Cariparma 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.

The plan is funded by a provision accrued by the Company, determined based on the mathematical reserve, certified annually by an independent actuary.

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.

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 after retirement.

As at 31 December 2016, 260 people (118 women and 142 men) were the beneficiaries of Crédit Agricole Cariparma Pension Plan, to whom a gross annual supplementary pension is paid amounting to Euro 7,025.92.
The average age of Crédit Agricole Cariparma beneficiaries is 78.6 years.

2. Changes for the year in net liabilities (assets) serving the defined-benefit plan and in rights to repayment

As regard the various schemes mentioned above, the 2016 reconciliations for Crédit Agricole Cariparma are given below:

Actuarial value of the obligation as at 1 Jan. 2016		**17,269**
a	Service cost	–
b	Interest cost	240
c.1	Actuarial gains/losses from changes in financial assumptions	586
c.2	Actuarial gains/losses from changes in demographic assumptions	–
c.3	Actuarial gains/losses from demographic experience	213
d	Payments provided for by the Plan	–1,931
Actuarial value of the obligation as at 31.12.2016		**16,377**

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 to 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 various plans under examination have been provided for.

4. Description of the main actuarial assumptions

In order to be able to make the required measurement, appropriate demographic and economic assumptions must be used, including:
- 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 SIM 2006;
- For assignment to the surviving family in case of the pensioner's death, appropriately 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 workers, required for smoothing the annual pension instalments, was assumed at 1.75%;
- the annual increase in the fund benefits is provided for in the relevant regulation and, thus, in the legislation in force concerning INPS pensions (automatic smoothing pursuant to paragraph 1, Art. 34 of Italian Law No. 448/1998, as amended by paragraph 1, Art. 69 of Law No. 388/2000);
- To calculate the Present Value, in compliance with the instructions issued by the Parent Company, the rate used was IBOXX AA (duration 7-10 years) of 0.89%.

5. 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 above main assumptions are given below:

Discount rate

	Actuarial value of the obligation as at 31.12.2016	
Central assumption	+50 bp	–50 bp
16,377	15,791	17,006

Mortality rate

	Actuarial value of the obligation as at 31.12.2016	
Central assumption	+20 bp	–20 bp
16,377	14,875	18,353

6. Multi-employer plans

This does not apply to Crédit Agricole Cariparma.

7. Defined-benefit plans that share risks between various entities under common control

This does not apply to Crédit Agricole Cariparma.

12.4 PROVISIONS FOR RISKS AND CHARGES – OTHER PROVISIONS

Sub-item 2.2 “Other provisions – staff expenses” of Table 12.1 also reports the provisioning made in 2012 by Crédit Agricole Cariparma (Euro 37.3 million), 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.

Sub-item 2.3 in Table 12.1 reports the provision allocated in previous financial years for dispute and/or reputational risks associated with financial products sold to Customers.

Sub-item 2.3 also reports the provision for Credit Protection insurance policies pursuant to ISVAP (Italian Private Insurance Supervisory Institute) Regulation No. 35 requiring insurance undertakings to pay back the portion of the advanced single premium, which was not used following early repayment of the loan linked to the policy, to Customers. The provision is an estimate of the possible future expenses to be borne by Crédit Agricole Cariparma to reimburse the insurers for the portion of commissions received on premiums paid by Customers.

A disputed is pending on registration taxes with the *Agenzia delle Entrate*, the Italian Inland Revenue Service. The *Agenzia delle Entrate* has reclassified the transfers of branches from Intesa Sanpaolo to Crédit Agricole Cariparma and Crédit Agricole FriulAdria carried out in 2007 and the subsequent transfer of the received equity investments to the institutional Shareholders of the two Banks as sales of business units. Based on this reclassification, the total amount jointly due by the various parties involved on various grounds in the specific transactions would be approximately Euro 36 million, plus interest. On this dispute, favourable decisions were issued by the competent Courts of second instance, against which the *Agenzia delle Entrate* filed appeal with the Italian Court of Cassation.

Also in the light of the opinions, obtained at the beginning of these disputes, from leading Law Firms, as well as in the light of the favourable Court decisions issued, no provisions were allocated for these disputes

In 2014, a dispute started, again on registration taxes and based on the same grounds, regarding a similar transaction carried out in 2011, once again with the Intesa Sanpaolo Group. This dispute entails a request to pay taxes for a total amount of approximately Euro 13.5 million, plus interest. In the first half of 2016, a favourable first-instance decision was issued and was appealed against by the Tax Authority.
Again in regard to such transaction, in March 2016 other verification notices were served concerning the recalculation of the business unit value for a total of Euro 2.1 million, which were appealed against. The considerations set forth above cannot but apply also to this dispute.

In August 2016, a favourable opinion was given on the dropping, for self-defence reasons, of a tax-related dispute concerning the sale of loans made in 2005 on a non-recourse basis to an unrelated securitization firm, for a disputed amount of taxes of Euro 5.5 million, plus penalties and interest. No provisions for this dispute had been made and Crédit Agricole Cariparma is expecting repayment of the amounts paid while the judgement was pending amounting to Euro 2.4 million.

In 2014, a dispute was started subsequent to non-payment to Crédit Agricole Cariparma of part of the specific tax account receivable provided for by 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.
With the above Law, the Italian State provided a contribution to tax payers that took out floating-rate mortgage loans for the purchase of their home amounting to the interest paid by the same tax payers in 2009 at a rate of over 4%. This amount was to be credited directly by the lending banks that would recover it through a tax account receivable.
The Italian Inland Revenue Service has refused to acknowledge the portion of this tax account receivable relating to amounts actually credited to Customers in 2010 and issued the relevant tax payment form. Consequently, Crédit Agricole Cariparma had to pay an amount of Euro 1.3 million and started a specific dispute.
However, the fist-instance judgement has confirmed the claim of the *Agenzia delle Entrate* as to the tax amount, while it overruled the penalty claim. The Bank has continued this dispute, believing that its position has valid grounds, and, at the end of July 2016, appeal was filed with the competent Court of second instance, against which the *Agenzia delle Entrate* filed its counterclaims.

Section 14 – Group Equity – Items 130, 150, 160, 170, 180, 190 and 200

14.1 CAPITAL AND TREASURY SHARES: COMPOSITION

The Parent Company's share capital, fully paid-in, consists of 876,761,620 ordinary shares.

No treasury shares were held as at the reporting date.

14.2 CAPITAL – NUMBER OF SHARES: CHANGES FOR THE YEAR

Items/Types	Ordinary	Other
A. Shares – opening balance	**876,761,620**	**–**
– fully paid-in	876,761,620	–
– partially paid-in	–	–
A.1 Treasury shares (–)	–	–
A.2 Outstanding shares: opening balance	876,761,620	–
B. Increases	**–**	**–**
B.1 New issues	–	–
– For a consideration:	–	–
– Business combinations	–	–
– Conversion of bonds	–	–
– Exercise of warrants	–	–
– 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	**876,761,620**	**–**
D.1 Treasury shares (+)	–	–
D.2 Shares – closing balance	876,761,620	–
– fully paid-in	876,761,620	–
– partially paid-in	–	–

14.3 CAPITAL: OTHER INFORMATION

The unit nominal value of the 876,761,620 ordinary shares is Euro 1.

14.4 INCOME RESERVES: OTHER INFORMATION

Items/Types	Amounts
Legal reserve	143,507
Reserves provided for by the Articles of Association	771,450
Reserve pursuant to Art. 13 of It. Leg. D. 124/93(*)	314
Other reserves	17,134
Total	**932,405**
Other reserves	2,790
Total reserves	**935,195**

(*) Reserve pursuant to Article 13 of Italian Legislative Decree No. 124/93 to take advantage of tax relief on the portions of Employees' 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

15.5 OTHER INFORMATION

The increase in the "Equity instruments" item referred to the issue of Additional Tier 1 instruments for a total of Euro 200 million.
The "Treasury shares" item reports the Group's portion of the treasury shares of Crédit Agricole FriulAdria which were purchased in the reporting year.

OTHER INFORMATION

1. Guarantees issued and commitments

Transactions	31.12.2016	31.12.2015
1) Financial guarantees issued	738,252	805,300
a) Banks	263,102	269,743
b) Customers	475,150	535,557
2) Commercial guarantees issued	760,310	772,075
a) Banks	81,284	50,902
b) Customers	679,026	721,173
3) Irrevocable commitments to disburse funds	69,961	233,722
a) Banks	2,026	151,932
i) certain use	2,026	151,932
ii) uncertain use	–	–
b) Customers	67,935	81,790
i) certain use	1,202	3,074
ii) uncertain use	66,733	78,716
4) Commitments underlying credit derivatives: protection sales	–	–
5) Assets pledged as collaterals for third–party debts	–	–
6) Other commitments	–	–
Total	**1,568,523**	**1,811,097**

2. Assets pledged as collateral for own liabilities and commitments

Portfolios	31.12.2016	31.12.2015
1. Financial assets held for trading	–	–
2. Financial assets designated at fair value	–	–
3. Financial assets available for sale	230,206	234,221
4. Investments held to maturity	–	–
5. Loans to banks	–	1,005
6. Loans to Customers	3,067,405	2,744,872
7. Property, plant and equipment	–	–

3. Information on operating leases

OPERATING LEASES – LESSEE – IAS 17 ART. 35 – LETTER A/B

Future minimum payments due under non–cancellable leases	< 1 year	1<> 5 years	> 5 years	Indefinite maturity	Total
Land	–	–	–	–	–
Buildings	–	–	–	–	–
Furniture	–	–	–	–	–
Electronic systems – Hardware	–	–	–	–	–
Electronic systems – other	–	–	–	–	–
Other – motor–vehicles (including cars)	1,190	1,679	–	–	2,869
Other – office machinery	–	–	–	–	–
Other – telephones (landline and mobile)	–	–	–	–	–
Other – other	–	–	–	–	–
Software	–	–	–	–	–
Total	**1,190**	**1,679**	**–**	**–**	**2,869**

OPERATING LEASES – LESSEE – IAS 17 ART. 35 – LETTER C

Expenses for the year	Minimum payments	Potential lease payments	Payments from subleases	Total
Land	–	–	–	–
Buildings	–	–	–	–
Furniture	–	–	–	–
Electronic systems – Hardware	–	–	–	–
Electronic systems – other	–	–	–	–
Other – motor–vehicles (including cars)	1,338	–	–	1,338
Other – office machinery	189	–	–	189
Other – telephones (landline and mobile)	–	–	–	–
Other – other	–	–	–	–
Software	–	–	–	–
Total	**1,527**	**–**	**–**	**1,527**

OPERATING LEASES – LESSEE – IAS 17 ART. 35 – LETTER D

Description of contracts	Criteria for determining lease fees	Renewal or purchase option clauses	Indexing clauses
Other – motor–vehicles (including cars)	Fee determined based on make, model, engine size and accessories of each vehicle and including additional services	The Customer shall have the right to request an extension of the contract, with prior acceptance by the renting Company, at a fee that the renting Company may review	––
Other – office machinery	Photocopiers: fixed monthly fee for each machine	Photocopiers: purchase option at the end of the lease	––

4. Management and intermediation services

Type of services	Amounts
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	983,804
a) individual	983,804
b) collective	–
3. Custody and administration of securities	
a) third–party securities on deposit held for depository bank services (excluding asset management)	–
1. securities issued by the companies included in the consolidation	–
2. other securities	–
b) other securities of third parties on deposit (excluding asset management): other	40,039,730
1. securities issued by the companies included in the consolidation	4,881,253
2. other securities	35,158,477
c) third–party securities deposited with third parties	38,782,824
c) proprietary securities deposited with third parties	4,074,057
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)	Gross amount of financial liabilities offset (b)	Net amount of financial assets recognized (c=a–b)	Related amounts not offset		Net amount (f=c–d–e) 31.12.2016	Net amount 31.12.2015
				Financial Instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	641,428	–	641,428	602,694	–	38,734	41,744
2. Repurchase agreements	–	–	–	–	–	–	–
3. Securities lending	–	–	–	–	–	–	–
4. Other	–	–	–	–	–	–	–
Total 31.12.2016	**641,428**	**–**	**641,428**	**602,694**	**–**	**38,734**	**X**
Total 31.12.2015	**611,837**	**–**	**611,837**	**558,277**	**11,816**	**X**	**41,744**

6. 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 offset		Net amount (f=c–d–e) 31.12.2016	Net amount 31.12.2015
				Financial Instruments (d)	Cash deposits given as collateral (e)		
1. Derivatives	–689,835	–	–689,835	–602,694	–	–87,141	–59,014
2. Repurchase agreements	–	–	–	–	–	–	–1,005
3. Securities lending	–	–	–	–	–	–	–
4. Other transactions	–	–	–	–	–	–	–
Total 31.12.2016	**–689,835**	**–**	**–689,835**	**–602,694**	**–**	**–87,141**	**X**
Total 31.12.2015	**–618,296**	**–**	**–618,296**	**–558,277**	**–**	**X**	**–60,019**

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interests – Items 10 and 20

INTEREST INCOME AND SIMILAR REVENUES: COMPOSITION

Items/Technical forms	Debt securities	Loans	Other transactions	31.12.2016	31.12.2015
1 Financial assets held for trading	8	–	–	8	9
2 Financial assets designated at fair value	77,136	–	–	77,136	94,052
3 Financial assets available for sale	–	–	–	–	–
4 Investments held to maturity	1,190	27,359	–	28,549	43,527
5 Loans to banks	5,546	520,736	–	526,282	635,699
6 Loans to Customers	–	–	–	–	2,382
7 Hedging derivatives	X	X	141,664	141,664	144,428
8 Other assets	X	X	5,047	5,047	535
Total	**83,880**	**548,095**	**146,711**	**778,686**	**920,632**

1.2 INTEREST INCOME AND SIMILAR REVENUES: DIFFERENCES ON HEDGING TRANSACTIONS

Items/Values	31.12.2016	31.12.2015
A. Positive differences on hedging transactions	280,120	327,546
B. Negative differences on hedging transactions	(138,456)	(183,118)
C. Balance (A–B)	141,664	144,428

1.3 INTEREST INCOME AND SIMILAR REVENUES: OTHER INFORMATION

1.3.1 Interest income on foreign-currency financial assets

As at 31 December 2016, interest income on foreign-currency financial assets came to Euro 3,200 thousand.

1.3.2 Interest income on finance lease transactions

In 2016, there was no interest income resulting from finance lease transactions.

1.4 INTEREST EXPENSES AND SIMILAR CHARGES: COMPOSITION

Items/Technical forms		Due and payables	Securities	Other transactions	31.12.2016	31.12.2015
1.	Due to central banks	(1,849)	X	–	(1,849)	(2,173)
2.	Due to banks	(24,063)	X	–	(24,063)	(30,208)
3.	Due to Customers	(33,331)	X	–	(33,331)	(47,814)
4.	Debt securities issued	X	(105,734)	–	(105,734)	(171,772)
5.	Financial liabilities held for trading	–	–	–	–	–
6.	Financial Liabilities designated at fair value	–	–	–	–	–
7.	Other liabilities and provisions	X	X	(1,308)	(1,308)	(254)
8.	Hedging derivatives	X	X	–	–	–
Totale		(59,243)	(105,734)	(1,308)	(166,285)	(252,221)

1.6 INTEREST EXPENSES AND SIMILAR CHARGES: OTHER INFORMATION

1.6.1 Interest expense on foreign-currency liabilities

As at 31 December 2016, interest expense on foreign-currency financial assets came to Euro 1,086 thousand.

1.6.2 Interest expenses on liabilities for finance lease transactions

In 2016, there were no interest expenses resulting from finance lease transactions.

Section 2 – Commissions – Items 40 and 50

2.1 COMMISSION INCOME: COMPOSITION

Type of services / Amounts	31.12.2016	31.12.2015
a) Guarantees issued	12,344	11,778
b) Credit derivatives	–	–
c) Management, intermediation and advisory services:	280,522	259,717
1. trading in financial instruments	–	–
2. foreign exchange trading	2,902	2,887
3. asset management	9,407	6,329
3.1. individual	9,407	6,329
3.2. collective	–	–
4. Custody and administration of securities	4,008	3,936
5. depositary bank services	–	–
6. placement of securities	96,908	95,001
7. receipt and transmission of orders	6,735	8,406
8. advisory services	275	172
8.1 on investments	–	–
8.1 on financial structure	275	172
9. distribution of third–party services	160,287	142,986
9.1. asset management	–	–
9.1.1. individual	–	–
9.1.2. collective	–	–
9.2 insurance products	141,126	131,939
9.3. other products	19,161	11,047
d) collection and payment services	31,370	32,146
e) servicing activities for securitizations	–	–
f) services for factoring transactions	–	–
g) tax collection services	–	–
h) management of multilateral exchange systems	–	–
i) keeping and managing current accounts	126,864	134,489
j) other services	66,942	65,760
Total	**518,042**	**503,890**

Sub-item “j) other services” mainly reports fees and commissions on debit and credit cards and on e-money services amounting to Euro 29,121 thousand and fees and commissions for loans granted amounting to Euro 17,919 thousand.

2.2 COMMISSION INCOME: DISTRIBUTION CHANNELS FOR PRODUCTS AND SERVICES

Services/Values	31.12.2016	31.12.2015
a) at own branches:	266,602	244,316
1. asset management	9,407	6,329
2. placement of securities	96,908	95,001
3. third party products and services	160,287	142,986
b) off–premises distribution:	–	–
1. asset management	–	–
2. placement of securities	–	–
3. third party products and services	–	–
c) other distribution channels:	–	–
1. asset management	–	–
2. placement of securities	–	–
3. third party products and services	–	–

2.3 COMMISSION EXPENSES: COMPOSITION

Services/Values	31.12.2016	31.12.2015
a) guarantees received	(8,155)	(5,741)
b) credit derivatives	–	–
c) management and intermediation services:	(5,714)	(5,656)
1. trading in financial instruments	(1,169)	(1,594)
2. foreign exchange trading	–	–
3. asset management:	(1,737)	(1,422)
3.1 own portfolio	–	–
3.2 third–party portfolio	(1,737)	(1,422)
4. Custody and administration of securities	(1,055)	(1,017)
5. placement of financial instruments	(1,753)	(1,623)
6. off–premises distribution of financial instruments, products and services	–	–
d) collection and payment services	(2,030)	(2,459)
e) other services	(8,235)	(8,983)
Total	**(24,134)**	**(22,839)**

Sub-item “e) other services” reports fees and commissions on debit and credit cards and e-money services amounting to Euro 4,167 thousand.

Section 2 – Dividends and similar revenues – Item 70

3.1 DIVIDENDS AND SIMILAR REVENUES: COMPOSITION

Items/Revenues	31.12.2016		31.12.2015	
	Dividends	Income from units of collective investment undertakings	Dividends	Income from units of collective investment undertakings
A. Financial assets held for trading	4	–	2	–
B. Financial assets available for sale	7,907	–	7,019	–
C. Financial assets designated at fair value	–	–	–	–
D. Equity investments	41,974	X	36,953	X
Total	**49,885**	**–**	**43,974**	**–**

The main dividends for the year referred to the controlling equity investment in Crédit Agricole FriulAdria (Euro 24,151 thousand) and in Crédit Agricole Carispezia (Euro 17,823 thousand) as well as to the shareholding in the Bank of Italy, which was classified in the AFS portfolio (Euro 6,907 thousand).

Section 4 – Net gains (losses) on trading activities – Item 80

4.1 NET GAINS (LOSSES) ON TRADING ACTIVITIES: COMPOSITION

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net gain (loss) [(A+B) – (C+D)]
1. Financial assets held for trading	**–**	**1,455**	**(1)**	**(145)**	**1,309**
1.1 Debt securities	–	1,036	(1)	(7)	1,028
1.2 Equity securities	–	108	–	–	108
1.3 Units of collective investment undertakings	–	3	–	–	3
1.4 Loans	–	–	–	–	–
1.5 Other	–	308	–	(138)	170
2. Financial liabilities held for trading	**–**	**–**	**–**	**–**	**–**
2.1 Debt securities	–	–	–	–	–
2.2 Debts	–	–	–	–	–
2.3 Other	–	–	–	–	–
3. Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**3,427**
4. Derivatives	**43,618**	**54,643**	**(43,710)**	**(49,600)**	**5,026**
4.1 Financial derivatives:	43,618	54,643	(43,710)	(49,600)	5,026
– On debt securities and interest rates	42,717	53,969	(43,345)	(48,959)	4,382
– On equity securities and equity indices	552	–	–	–	552
– On foreign exchange and gold	X	X	X	X	75
– Other	349	674	(365)	(641)	17
4.2 Credit derivatives	–	–	–	–	–
Total	**43,618**	**56,098**	**(43,711)**	**(49,745)**	**9,762**

Section 5 – Net gains (losses) on hedging activities – Item 90

5.1 NET GAINS (LOSSES) ON HEDGING ACTIVITIES: COMPOSITION

Income components/Values	31.12.2016	31.12.2015
A. Income from:	**–**	**–**
A.1 *Fair value hedging derivatives*	226,644	275,160
A.2 Hedged financial assets (fair value)	84,961	30,801
A.3 Hedged financial liabilities (fair value)	84,400	115,086
A.4 Cash flow hedging financial derivatives	–	–
A.5 Assets and liabilities in foreign currencies	–	–
Total income on hedging activities (A)	**396,005**	**421,047**
B. Expenses on:	**–**	**–**
B.1 *Fair value hedging derivatives*	(316,747)	(392,145)
B.2 Hedged financial assets (fair value)	(22,019)	(32,483)
B.3 Hedged financial liabilities (fair value)	(62,712)	(8,878)
B.4 Cash flow hedging financial derivatives	–	–
B.5 Assets and liabilities in foreign currencies	–	–
Total expenses on hedging activities (B)	**(401,478)**	**(433,506)**
C. Net gain (loss) on hedging (A – B)	**(5,473)**	**(12,459)**

Section 6 – Gains (losses) on disposal/repurchase – Item 100

6.1 GAIN (LOSS) ON DISPOSAL/REPURCHASE: COMPOSITION

Items/Income components	31.12.2016			31.12.2015		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Loans to banks	–	–	–	–	–	–
2. Loans to Customers	885	(17,391)	(16,506)	537	(12,486)	(11,949)
3. Financial assets available for sale	64,483	(28,503)	35,980	65,525	(15,775)	49,750
3.1 Debt securities	64,433	(28,503)	35,930	64,555	(15,775)	48,780
3.2 Equity securities	50	–	50	970	–	970
3.3 Units of collective investment undertakings	–	–	–	–	–	–
3.4 Loans	–	–	–	–	–	–
4. Investments held to maturity	–	–	–	–	–	–
Total Assets	**65,368**	**(45,894)**	**19,474**	**66,062**	**(28,261)**	**37,801**
Financial liabilities						
1. Due to banks	–	–	–	–	–	–
2. Due to Customers	–	–	–	–	–	–
3. Debt securities issued	341	(1,836)	(1,495)	648	(2,424)	(1,776)
Total liabilities	**341**	**(1,836)**	**(1,495)**	**648**	**(2,424)**	**(1,776)**

Section 7 – Net gain (loss) on financial assets and liabilities designated at fair value – Item 110

7.1 NET CHANGE IN VALUE OF FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE: COMPOSITION

Transactions/Income components	Capital gains (A)	Realization gains B)	Capital losses (C)	Realization Losses (D)	Net gain (loss) [(A+B) – (C+D)]
1 Financial assets	**–**	**–**	**–**	**–**	**–**
1.1 Debt securities	–	–	–	–	–
1.2 Equity securities	–	–	–	–	–
1.3 Units of collective investment undertakings	–	–	–	–	–
1.4 Loans	–	–	–	–	–
2 Financial liabilities	**–**	**–**	**–**	**–**	**–**
2.1 Debt securities	–	–	–	–	–
2.2 Due to banks	–	–	–	–	–
2.3 Due to customers	–	–	–	–	–
3.3 Financial assets and liabilities in foreign currencies: exchange rate differences	X	X	X	X	
3 Credit and financial derivatives	**–**	**–**	**–**	**–**	**–**
Total	–	–	–	–	–

Section 8 – Net losses/recoveries on impairment – Item 130

8.1 NET LOSSES ON IMPAIRMENT OF LOANS: COMPOSITION

Transactions/ Income components	Adjustments			Writebacks				Total (31.12.2016)	Total (31.12.2015)
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Loans to Banks	–	–	–	–	–	–	–	–	–
– loans	–	–	–	–	–	–	–	–	–
– debt securities	–	–	–	–	–	–	–	–	–
B. Loans to customers	(11,038)	(252,809)	(25,827)	45,790	47,360	–	49,618	(146,906)	(216,199)
Non–performing loans purchased	–	–	–	–	–	–	–	–	–
– loans	–	–	X	–	–	X	X	–	–
– debt securities	–	–	X	–	–	X	X	–	–
Other loans and receivables	(11,038)	(252,809)	(25,827)	45,790	47,360	–	49,618	(146,906)	(216,199)
– loans	(11,038)	(252,809)	(25,827)	45,790	47,360	–	49,618	(146,906)	(216,199)
– debt securities	–	–	–	–	–	–	–	–	–
C. Total	(11,038)	(252,809)	(25,827)	45,790	47,360	–	49,618	(146,906)	(216,199)

Key:
A = from interest
B = other writebacks

8.2 NET LOSSES ON IMPAIRMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION

Transactions/Income components	Adjustments		Writebacks		31.12.2016	31.12.2015
	Specific		Specific			
	Writeoffs	Other	A	B		
A. Debt securities	–	–	–	–	–	–
B. Equity securities	–	(39)	X	X	(39)	(589)
C. Units of Collective Investment Undertakings	–	–	X	–	–	–
D. Loans to banks	–	–	–	–	–	–
E. Loans to customers	–	–	–	–	–	–
F. Total	–	(39)	–	–	(39)	(589)

Key:
A= from interest
B= other writebacks

8.4 NET LOSSES ON IMPAIRMENT OF OTHER FINANCIAL TRANSACTIONS: COMPOSITION

Transactions/Income components	Adjustments			Writebacks				31.12.2016	31.12.2015
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Guarantees issued	(6,378)	(1,197)	(426)	–	8,382	–	282	663	(1,156)
B. Credit derivatives	–	–	–	–	–	–	–	–	–
C. Commitments to disburse funds	–	–	–	–	–	–	–	–	–
D. Other transactions	–	–	–	–	–	–	–	–	–
E. Total	(6,378)	(1,197)	(426)	–	8,382	–	282	663	(1,156)

Key:
A = from interest
B = other writebacks

Section 9 – Administrative expenses – Item 150

9.1 STAFF EXPENSES: COMPOSITION

Type of expenses/Sectors	31.12.2016	31.12.2015
1) Employees	(424,072)	(411,196)
a) wages and salaries	(279,769)	(295,385)
b) social security contributions	(73,411)	(78,453)
c) severance benefits	–	–
d) pensions	–	–
e) allocation to employee severance benefit provision	(1,401)	(1,091)
f) allocation to provision for Post–employment benefits:	(240)	(181)
– defined–contribution	–	–
– defined benefit	(240)	(181)
g) payment to external supplementary pension schemes:	(27,228)	(28,317)
– defined–contribution	(27,228)	(28,317)
– defined–benefit	–	–
h) costs from share–based payment agreements	–	–
i) other employee benefits	(42,023)	(7,769)
2) Other staff	(1,516)	(682)
3) Directors and Auditors	(1,150)	(1,196)
4) Retired staff	–	–
5) Expense recovery for employees seconded to other companies	8,059	5,689
6) Expense refund for third parties' employees seconded to the company	(10,731)	(8,411)
Total	**(429,410)**	**(415,796)**

9.2 AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY

Employees:	31.12.2016
a) Senior Managers	69
b) Junior Managers	2,482
c) other Employees	2,548
Other staff	42

9.3 COMPANY DEFINED-BENEFIT PENSION PLANS: COSTS AND REVENUES

Type of expenses/Values	31.12.2016	31.12.2015
Provision for the year	–	–
Changes due to passing of time	(240)	(181)

9.4 OTHER EMPLOYEE BENEFITS

These consisted of costs for the voluntary redundancy plan (Solidarity Fund), allocated to provision in 2016 for Euro 37.3 million, non-occupational policies, incentives for voluntary redundancy and other fringe benefit, as well as to the contribution to the bank employees' cultural and recreational club.

9.5 OTHER ADMINISTRATIVE EXPENSES: COMPOSITION

Type of expense/Values	31.12.2016	31.12.2015
Direct and indirect taxes	(75,388)	(78,207)
Data processing	(9,262)	(23,359)
Facility rental and management	(37,570)	(38,829)
Expenses for advisory services	(20,011)	(21,170)
Mail, telegraph and delivery services	–	(4,456)
Telephone and data transmission	(2,953)	(5,962)
Legal expenses	(6,370)	(5,456)
Property maintenance	(792)	(1,958)
Furnishing and plant maintenance	(18)	(7,560)
Marketing, promotion and entertainment expenses	(6,674)	(5,772)
Transport services	(4,445)	(10,444)
Lighting, heating and air conditioning	(10,043)	(10,027)
Printed material, stationery and consumables	(681)	(2,980)
Staff training expenses and reimbursements	(5,676)	(5,034)
Security services	(36)	(1,699)
Information and title searches	(4,174)	(4,150)
Insurance	(125,363)	(117,364)
Cleaning services	(110)	(2,693)
Leasing of other property, plant and equipment	(2,035)	(4,297)
Management of archives and document handling	–	(393)
Reimbursement of costs to Group companies	(157,510)	(71,640)
Contributions to the Deposit Guarantee Scheme (DGS) and Single Resolution Fund (SRF)	(33,211)	(30,909)
Sundry expenses	(9,065)	(7,474)
Total	**(511,387)**	**(461,833)**

Section 10 – Net provisions for risks and charges – Item 160

10.1 NET PROVISIONS FOR RISKS AND CHARGES: COMPOSITION

The net provision amounted to Euro 13,717 thousand, of which Euro 930 thousand for bankruptcy revocatory actions, Euro 8,787 thousand for non-lending-related legal disputes and Euro 4,000 thousand worth of other provisions.

Section 11 – Net adjustments of/recoveries on property, plant and equipment – Item 170

11.1 NET VALUE ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: COMPOSITION

Assets/Income components	Depreciation (a)	Impairment adjustments (b)	Recoveries/ writebacks (c)	Net gain/loss (a + b – c)
A. Property, plant and equipment:	–	–	–	–
A.1 Owned	(13,895)	–	–	(13,895)
– Operating assets	(13,657)	–	–	(13,657)
– Investment property	(238)	–	–	(238)
A.2 Acquired under finance leases	–	–	–	–
– Operating assets	–	–	–	–
– Investment property	–	–	–	–
Total	**(13,895)**	**–**	**–**	**(13,895)**

Section 12 – Net adjustments of/recoveries on intangible assets – Item 180

12.1 NET ADJUSTMENTS OF INTANGIBLE ASSETS: COMPOSITION

Assets/Income components	Amortization (a)	Impairment adjustments (b)	Recoveries/ writebacks (c)	Net gain/loss (a + b – c)
A. Intangible assets	–	–	–	
A.1 Owned	(16,360)	–	–	(16,360)
– Generated in–house	–	–	–	–
– Other	(16,360)	–	–	(16,360)
A.2 Acquired under finance leases	–	–	–	–
Total	**(16,360)**	**–**	**–**	**(16,360)**

Section 13 – Other operating expenses and income – Item 190

13.1 OTHER OPERATING EXPENSES: COMPOSITION

Type of expense/Values	31.12.2016	31.12.2015
Expenses for finance lease transactions	–	–
Monetary correction	–	–
Integrations and reorganization expenses	–	–
Amortization of expenditure for leasehold improvements	(7,259)	(6,650)
Other expenses	(5,921)	(6,759)
Total	**(13,180)**	**(13,409)**

13.2 OTHER OPERATING INCOME: COMPOSITION

Type of expense/Values	31.12.2016	31.12.2015
Rental income and recovery of expenses on real estate	2,870	389
Income on finance lease contracts	–	–
Recovery of rental expenses	–	–
Recovery of taxes and levies	66,948	69,748
Recovery of insurance costs	122,238	114,284
Recovery of other expenses	7,364	5,848
Service recovery	14,522	27,391
Other income	27,088	33,448
Total	**241,030**	**251,108**

Section 14 – Gains (losses) on equity investments – Item 210

14.1 GAINS (LOSSES) ON EQUITY INVESTMENTS: COMPOSITION

Income components/Sectors	31.12.2016	31.12.2015
A. Income	9,722	11,626
1. Revaluations	–	–
2. Gains on disposal	–	–
3. Writebacks	–	–
4. Other income	9,722	11,626
B. Expenses	(20)	(1,441)
1. Writedowns	–	–
2. Losses on impairment	(20)	(20)
3. Losses on disposal	–	(1,421)
4. Other expenses	–	–
Total	**9,702**	**10,790**

Section 17 – Gains (losses) on disposal of investments – Item 240

17.1 GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS: COMPOSITION

Income components/Sectors	31.12.2016	31.12.2015
A. Real estate	75	–
– Gains on disposal	75	–
– Losses on disposal	–	–
B. Other assets	(250)	–
– Gains on disposal	1	–
– Losses on disposal	(251)	–
Net gain (loss)	**(175)**	–

Section 18 – Income taxes for the year on continuing operations – Item 260

18.1 INCOME TAXES FOR THE YEAR ON CONTINUING OPERATIONS: COMPOSITION

Income components/Sectors		31.12.2016	31.12.2015
1.	Current taxes (–)	(46,510)	(75,190)
2.	Changes in current taxes for previous years (+/–)	–	–
3.	Reduction in current taxes for the year (+)	1,156	63
3.bis	Reduction in current taxes for the year for tax receivables pursuant to Law No. 214/2011 (+)	–	–
4.	Change in deferred tax assets (+/–)	(32,175)	(15,783)
5.	Change in deferred tax liabilities (+/–)	(2,237)	(2,618)
6.	Taxes for the year (–) (–1+/–2+3+3bis+/–4+/–5)	(79,766)	(93,528)

18.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED

	31.12.2016
Net profit before taxes on continuing operations	284,788
Net profit on discontinued operations (before taxes)	–
Theoretical taxable income	**284,788**

	31.12.2016
Income taxes – Theoretical tax liability at the 27.5% ordinary rate	(78,317)
– effect of tax–exempt income or income taxed at special rates	–
– effect of income already subject to taxation	–
– effect of expenses that are fully or partially non–deductible and income that is fully or partially non–taxable at 27.5% tax rate	11,192
Income taxes – Actual tax liability	(67,125)
– use of excess tax provisioning in previous years	800
– taxes for acceptance of assessment on foreign P/T	–
– substitute tax from realignment under Italian Decree Law 98/2011	–
– substitute tax from realignment of values under suspended taxation for tax–neutral transfers	–
– effect of recovery of future taxes on realignment gain under Decree Law 98/2011	–
– effect of recovery of future taxes from realignment of values under suspended taxation for tax–neutral transfers	–
– effect of application for corporate income tax (IRES) refund for Italian Regional Tax on Productive Activities (IRAP) under DL 201/2011	
– effect of deduction and tax credits	356
Effects of equity investments	–
Other costs	–
IRAP – Theoretical tax liability	**(15,885)**
effect of income/expenses that do not form taxable income	**(49,849)**
– effect of other changes	**51,954**
– effect of change in the average tax rate	**(17)**
IRAP – Actual tax liability	**(13,797)**
Other taxes	**–**
Effects of equity investments	**–**
Other costs	**–**
Actual tax liability recognized	**(79,766)**
of which: actual tax liability on continuing operations	***(79,766)***
Actual tax liabilities on discontinued operations	***–***

Section 21 – Earnings per share

21.1 AVERAGE NUMBER OF ORDINARY SHARES OF DILUTED CAPITAL

The Bank’s share capital consists of 876,761,620 ordinary shares, with a nominal value of Euro 1 each.

PART D – COMPREHENSIVE INCOME

Breakdown statement of comprehensive income

Items		Gross amount	Income tax	Net amount
10.	**Profit (Loss) for the year**	**X**	**X**	**205,022**
	Other income components with no reversal to Income Statement			
20	Property, plant and equipment	–	–	–
30.	Intangible Assets	–	–	–
40.	Defined–benefit plans	(4,009)	1,102	(2,907)
50.	Non–current assets held for sale/disposal groups	–	–	–
60.	Portion of valuation reserve on equity investments measured using the equity method	–	–	–
	Other income components with reversal to Income Statement			
70.	Hedging of investments in foreign operations:	–	–	–
	a) changes in fair value	–	–	–
	b) reversals to Income Statement	–	–	–
	c) other changes	–	–	–
80.	Exchange rate differences:	–	–	–
	A) changes in value	–	–	–
	b) reversals to Income Statement	–	–	–
	c) other changes	–	–	–
90.	Cash flow hedges:	–	–	–
	a) changes in fair value	–	–	–
	b) reversals to Income Statement	–	–	–
	c) other changes	–	–	–
100.	Financial assets available for sale:	(103,279)	33,475	(69,804)
	a) changes in fair value	*(62,646)*	*20,021*	*(42,625)*
	b) reversals to Income Statement	(40,633)	13,454	(27,179)
	– impairment adjustments	39		39
	– Gains/losses from realization	(40,672)	13,454	(27,218)
	c) other changes	–	–	–
110.	Non–current assets held for sale/disposal groups	–	–	–
	a) changes in fair value	–	–	–
	b) reversals to Income Statement	–	–	–
	c) other changes	–	–	–
120.	Portion of valuation reserve on equity investments measured using the equity method:	–	–	–
	a) changes in fair value	–	–	–
	b) reversals to Income Statement	–	–	–
	– impairment adjustments	–	–	–
	– Gains/losses from realization	–	–	–
	c) other changes	–	–	–
130.	**Total other income components**	**(107,288)**	**34,577**	**(72,711)**
140	**Comprehensive income (10+130)**			**132,311**

PART E – INFORMATION ON RISKS AND RELATIVE HEDGING POLICIES

Section 1 – Credit Risk

QUALITATIVE DISCLOSURES

1. General aspects

The Central Credit Department (Italian acronym DC) is responsible for the lending operations of the Crédit Agricole Italia Banking Group. It has the task of setting, in accordance 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 Crédit Agricole Cariparma and of the Group, giving direct authorization within its decision-making powers.

This Central 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, as required to control the cost of credit, by directly and indirectly steering the lending chain of the Companies of the Group and the Distribution Channels;
- To define and promote, consistently with the Group strategies and objectives, an appropriate standardization of models, lending instruments and lending governance rules;
- To verify, through appropriate operating control mechanisms, compliance with the lending guidelines and policies within the Group. The Credit 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 Crédit Agricole Cariparma and of the Crédit Agricole Italia Banking Group.

2. Credit risk management policies

2.1 Organisational aspects

Lending operations are performed by the different dedicated structures of the Parent Company and of the Group Banks and investee Companies; these dedicated structures report on both a solid and dotted line to the Credit Department.

Crédit Agricole Cariparma organization includes the Loan Authorization Division, the Loan Management and Protection Division and the Special Loan Division:

- The Loan Authorization Division is responsible, as regards the relevant Customer perimeter, for loan performance and quality in Crédit Agricole Cariparma within the lending processes and policies that fall in the Credit Department scope; the Loan Authorization Division comprises Loan Authorization Services, every one of which specializes in the assessment of loan applications that are subdivided by Customer segment (Retail, Corporate and Private Banking and the Financial Advisors Business Unit) and regard specific "production chains", which amount to economic activity sectors that are deemed particularly significant for the Group strategy;
- The Loan Management and Protection Division is responsible, for the relevant Customer perimeter, 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 Cariparma for prompt and effective action to prevent loan impairment, so that the relevant cost is kept under control. Moreover, for all exposures entailing low amounts and falling within its scope, this Division is responsible for the monitoring and general steering of recovery/collection activities, as well as for regulating collection services outsourced to specialist companies. In steering and governing outsourced collection activities for small amount exposures, it is responsible for setting specific KPIs and for verifying compliance with the set performances by the providers of outsourced collection services;
- The Special Loan Division is responsible for the performance and quality of loans to:
  - Real Estate and Building Companies, as well as to Companies that are subject to debt restructuring agreements, with reference to the remedial actions provided for by Articles 67,182, 160 and 161 of the Italian Bankruptcy Law.
  - Companies showing obvious warnings or evidence of being non-performing (except for bad loan positions) entailing exposures – in terms of single company and/or economic/legal group higher than Euro 3.5 million.
  - To Customers that have lease contracts in force and show obvious warnings or evidence of being non-performing (except for bad debts).

The M/L-Term Loans Service, the Credit Secretary Service and Credit Intelligence Service also report on a solid line to the Credit Department.

The Group Banks and Investee Companies have also the following structures, which report on a dotted line to the CD: Loan Authorization Division, Loan Management and Protection Division, Special Loan Service (Crédit Agricole FriulAdria), Loan Authorization Division, Loan Management and Protection Service, Special Loan Service (Crédit Agricole Carispezia), Credit Function of Crédit Agricole Leasing Italia, Credit Advisory Division of Crédit Agricole Cariparma for the relevant perimeter and the Credit and Finance Division for the relevant perimeter.

2.2 Management, measurement and control

Lending policies and strategies
In 2016, the evolution of the economic scenario and the market performance have generated the need to review the approaches and procedures based on which the Banks of the Crédit Agricole Italia Banking Group take and manage Credit Risk towards Customers.
Lending policies set down the standards and directions which the Distribution Network and the Decision-making Bodies shall comply with to authorize and manage loans, to make lending proposals and decisions; lending policies are structured and updated in order to foster balanced growth with the worthiest Customers and to recover exposures to the riskiest ones;
They apply to Customers, excluding positions classified as Non-performing, are set at Group level and fall within the scope of the Risk Strategy, which is set every year in agreement with the Parent Company Crédit Agricole S.A., with specific reference to risk concentration limits and to types of lending transactions, for which specific restrictions are provided for.
Consistently with Crédit Agricole Cariparma's strategy, lending policies:
- are based on the Probabilities of Default (PD) calculated using rating models;
- They provided for general requirements in order for mortgage loans to be granted, also to achieve appropriate risk mitigation in determining the Economic Capital;
- They set rules for credit-risk taking towards Customers, both in the short- and medium-/long-term;
- Subdivide Customers based on the expected loss, so as to prepare specific and different lending strategies to which the Distribution Network refers in order make loan proposals.

Lending policies are differentiated based on the categories of Customers, as follows:
- Lending policies for Businesses, Production Chains and Public Administration Bodies;

- Lending policies for Individuals.

Lending policies for Businesses, Production Chains and State Bodies pursue the objectives set forth below:
- To set the credit risk management strategy on the basis of higher differentiation in accordance with the specific creditworthiness (Customer Risk);
- To identify the positioning of each sector in terms of risk/growth prospects;
- To associate a specific "view" to each sector and micro-sector, separating high-risk sectors from low-risk ones with potential opportunities for growth;

Lending policies for Business Customers apply to the legal-economic Group identified, or to single Businesses not belonging to the Group, resident and non-resident, and are structured based on the Customer risk and on the risk associated to the economic activity sectors.
Consistently with the above objectives, these policies were reviewed in 2016 in order to implement:
- The consolidation of the selective criteria already in force, based on which the Banks of the Group manage credit risk: the structure of the new "Policies" features higher differentiation both in terms of specific creditworthiness (Customer counterparty risk) and in terms of different lending strategies specific for the Large-Corporate (revenue higher than Euro 7.5 million) and Retail (revenue up to Euro 7.5 million) Regulatory Segments, in accordance with the specific features of the respective Customers;
- The increase from 3 to 4 sector riskiness clusters, fully consistent with the present risk management approach, as well as a review of the guidelines on the attributable Lending Policy grades, in order to be more in line with the present economic scenario and with the corporate strategies that pursue balanced growth in loans to the worthiest Customers and the recovery of exposures to the riskiest ones;
- Further strengthening of the actions already implemented to control the exposures to economic activity sectors that feature higher risk, both present and perspective, specifically as regards Customers operating in the "Real Estate", "Building" and "Hotel" sectors, for whom differentiated "Policies" have already been set down implementing directions and "limits" that are consistent with the Risk Strategy set on a yearly basis with the Parent Company Crédit Agricole SA; these actions have been extended to the "Gaming" and "Waste" micro-sectors, in accordance with the guidelines issued by the Compliance Department;
- The identification, in larger detail, of specific micro-sectors of economic activity, in order to take account of higher variability of the risk profile and attractiveness of the same, vs. the relevant macro-sectors;
- The confirmation of the approaches and procedures presently in force for exceptions to the application of the "Policies", to be submitted to the competent decision-making body that shall be determined based both on the specific Customer's creditworthiness and on the different grades within the Lending Policy;
- An update of the specific criteria set down by the Policies and dedicated to certain economic activities (such as the agri-food industrial sector and the sector of renewable energy), as well as to Companies with high vocation for export, which offer interesting opportunities for the development of loans, and to Public Administration Bodies and Confidi (Italian mutual loan-guarantee consortia);
- The review of risk concentration limits and of the procedures to use credit lines, for their differentiation in terms of Customer risk profile, in order to be more closely in line with the present economic scenario and with the above-reported strategic objectives of the "Policies".

Lending Policies for Individuals were also reviewed in 2016; they are defined at Group level and apply to Natural Persons that take out loans for purposes other than those relating to business activities, excluding all Customers falling in the Non-performing positions perimeter. Lending Policies are structured based on Customer risk, on the Rating of the counterparty and/or the relevant legal/economic Group, as well as on the type of product that has been applied for by the Customer.

The Rating System is the tool used for application processing and authorization of credit lines/loans to Individuals and has been validated by the Supervisory Body, both for choosing the Decision-Making Body responsible for authorizing the loan, and for the definition of the creditworthiness of the same Customer.

The Lending Policies are integrated in the Electronic Loan Application Processing, which, within a decision-making system (the so-called "Lending Strategies"), steers decision-making processes; Lending Policies are different for different products and assign a summary rating/assessment to Customers in the Individuals sub-segment. This summary rating/assessment uses the three colours below indicating different procedures and decision-making powers:

- "Favourable" file (GREEN): in this case the loan application is submitted to the relevant Decision-Making Body, within a streamlined decision-making process;
- File "to be assessed" (YELLOW): in this case the loan application processing can go on, but requires more exhaustive information and closer examination but still within an ordinary decision-making process;
- File "to be rejected" (RED): a loan application that is usually to be rejected. Only in "exceptional" cases – and having exhaustive additional information that shows such suitable good elements as to lead to a favourable creditworthiness selective assessment – the Proposal may be submitted to a Higher Decision-Making Body (at least the Head of the Retail Banking Area), still within an ordinary decision-making process and in accordance with the lending decision-making powers and responsibilities in force. Only the riskiest cases are submitted to the central Decision-making Bodies; these cases are mainly identified based on debt affordability, i.e. the ratio of loan instalment to the Customer's income. These transactions are closely and constantly monitored by the Group.

Within the Lending Policies for Customers in the Individuals sub-segment, the general principles have been set and apply to loan application processing and loan authorization for each single product; these principles translate into parameters to be taken into account and to be complied with in all lending operations, namely: the definition of monthly net income, financial commitments, debt affordability, a given minimum subsistence income, the ratio of loan instalment to income, the maximum age of applicants and third party guarantors. Moreover, the centrality of loan to value and of the instalment/income ratio was reasserted, as discriminating factors to assess mortgage loan applications.
Moreover, the Lending Policies for the Customers in the Individuals sub-segment associate each product to different objectives, features and contents, which are deemed suitable to foster a balanced growth of Loans to the worthiest Customers and to mitigate credit risk in lending to the riskiest Customers, with specific reference to setting the duration of the transaction, maximum amount of the loan and acquisitions of guarantees.
The Lending Policies for the Customers in the Individuals sub-segment cover the following types of products: mortgage loans, credit lines on current accounts, personal loans, consumer loans and other unsecured loans, mortgage current accounts, signature loans, products for international transactions, derivatives, credit cards.

Lending processes
In the present economic scenario, in order to ensure protection of the overall quality of the Loan Portfolio and control of the cost for its management, risk exposures must be promptly and effectively monitored and proactively managed as soon as upon early warnings. Based on the above requirements, in 2016, the review of the lending model, which was started in 2014, was completed and consolidated, in order to optimize the performances and abilities to manage Non-performing Loans, by implementing actions in the macro-scopes set forth below:

- Full separation of responsibilities in the lending chains, between the Loan Authorization chain on the one hand and the Loan Management and Protection chain on the other (the latter being responsible for the management of all categories of non-performing loans, except for bad debts);

- Consolidation of operating responsibilities and perimeter of action of the Special Loan chain;
- Full operation of the Credit Intelligence controls;
- Strengthening of the internal controls system by reviewing the portfolio with a specific focus on Early Warnings and Non-performing loans.

Based on the above, the contents of the "*Lending Regulations*" have been aligned to the changes that were made to the Credit organizational structure and the relevant operating processes for lending management.

The rules governing the authorization of Ordinary Loans to applicants provide for their classification into:
- A structure based on counterparty risk level, resulting from the Customer's rating and the relevant authorization decision-making levels;
- Decision-making powers that are scaled up as the Customer riskiness increases.

The integrated review of the new Regulation on Performing Loans stands out because of its general principles that are based on prudent management of lending, consistently with the objective of a balanced growth of loans to the worthiest Customers and of control and/or recovery of the exposures to the riskiest Customers, by optimizing the loan authorization process.

The review of the new Regulation and Process on Non-performing Loans is based on the general principles given below:
- Having a streamlined and standardized process that is fit to ensure strong involvement and responsibility-taking of the various roles concerned, starting from the Account Manager and to clearly identify the actions to be implemented and the respective responsibility profiles;
- Ensuring timely detection and management of any risky positions in the Loan Portfolio;
- Implementing a single procedure that steers the process, schedules the relevant activities and ensures their control, in order to mitigate operational risks, to improve efficiency and to maximize timeliness of action;
- Pursuing efficiency through mainly automated action plans that are accurately set in accordance with the risk characteristics (isotype) of every single position.

Non-performing loans are all loans showing problems, even just potential ones, which – where not promptly and fully solved – could lead to the worsening of the quality of the risks taken by Crédit Agricole Cariparma. The tool used to identify the positions falling within this category is the Performance Monitoring Indicator (PMI or with the Italian acronym IMA)

The PMI has been defined by the Risk Management and Permanent Controls Department, in cooperation with the Credit Department, and is the indicator triggering the monitoring and management of positions that show early warnings or are Non-performing; this indicator has 5 colours, representing 5 levels of early warning, with risk decreasing levels, to which a creditworthiness status is associated:

BLUE	= HIGH risk	(Non–performing loans)
RED	= MEDIUM risk	(Non–performing loans)
ORANGE	= LOW risk	(Performing Loans)
YELLOW	= LOW risk	(Performing Loans)
GREEN	= LOW risk	(Performing Loans)

In the first half of 2016, the review of the PMI (IMA) calculation engine was completed. Thanks to this review, the indicator was updated and made more efficient and more effective, also based on the experience gained when using the previous version. The IMA early warning model has a modular structure that, starting from a summary early warning indicator, integrates the Performance Rating data and the expected loss grade.

For every type of loan, specific responsibilities have been determined in terms of both authorization and management.

The main changes implemented in 2015 and consolidated in 2016 to the loan authorization and management processes were:

- The merging into a single document of the Lending Regulation for the 3 Banks of the Group;
- Strengthening and streamlining thanks to a single central Lending Chain responsible for all accounts within a single Legal-Economic Group: in order to ensure single direction and timeliness of the management of accounts referring to a single Legal-Economic Group, the prevalence principle applies (amount of the loans to at least one of the counterparties > 50% of the total amount lent to the Group or, where is not the case, the most part of the exposure) – exclusively referring to Performing and Early Warning positions – in order to identify a single central reference lending chain, for all counterparties belonging to the Group, having loan authorization powers and management responsibilities, in accordance with the decision-making powers in force at the relevant time;
- Full separation of responsibilities in the lending chains, between the Loan Authorization chain on the one hand and the Loan Management and Protection chain on the other (the latter being responsible for the management of all categories of early warnings and non-performing loans, except for bad debts);
- Selective review of decision-making powers, which, without prejudice to the prudential criteria adopted by our Group, has determined an increase in the lending powers delegated and to be applied to the best Customers, with no change in the centralization of decision-making powers for riskier counterparties;
- Streamlining and strengthening of the Process for the management of Early Warnings and Non-performing exposures with full implementation in the Management Electronic Process (Italian acronym PEG) – which was implemented in August 2014 – of the prioritization of actions, as required also by the developments in the reference regulatory framework (Forbearance) and by further development in the internal management processes and strategies, in a top down order based on the severity of the warnings detected;
- Full operation of the Credit Intelligence controls;

These changes resulted in:

a) The streamlining and optimization of the process for the management of Process for the Management of Early Warnings, Non-performing exposures, through:
   - Full separation between the Loan Authorization Chain and the Loan Management and Protection Chain (the latter being responsible for the management of both early warnings and non-performing loans, before they enter the bad debt status, in the perimeter that does fall within the responsibility of the Special Loan Division);
   - Significant streamlining and optimization of the number of the Active Monitoring Statuses, as a tool to identify the position within the perimeter of non-performing exposures to be subject to special monitoring over time;
b) The possibility to display and consult, quickly and in a bottom-up mode, from the Account Manager in charge of the position to the central validation Bodies, all positions to be managed for their recovery and/or collection, and the possibility to consult, in a single workflow, all management information as required;
c) The possibility to guide and steer the Account Manager in the actions to be implemented, with a precise action plan, set by the Procedure for every position, supporting the Account Manager also in identifying any alternative actions, to be scaled up for validation to the higher validation Body, automatically set forth by the Management Electronic Process (PEG);
d) Important support in the management of positions, while enhancing the responsibility of the Account Manager and of the higher validation Bodies, for carrying out and certifying the actions planned, in full compliance with the set timeframe;
e) Maximization of action effectiveness while reducing the relevant timeframe, relying on the prevailing full validation of the action plans proposed by the procedure, especially for cases where the process can be subject to automated management;

f) Effective monitoring of outcomes and compliance with the set timeframe, of the implemented actions, with the possibility of aggregate displaying both for the Channel area coordination structures and for the central credit functions.

The range of strategies and action plans that the PEG automatically proposes was exhaustively reviewed in 2016, also in order to achieve further consistency with the managed positions.
The monitoring process implemented by the Crédit Agricole Italia Banking Group is continuous, in order to promptly detect any early warnings and, therefore, to maintain a high quality of the loan portfolio; the management of problem loans is dealt with by dedicated structures, both central and peripheral, which were suitably strengthened in the year.
In order to effectively and timely manage positions showing early warnings and, thus, to reduce credit risk, the Crédit Agricole Italia Banking Group had to fully review the process for the "Collection of Loans having non-significant amounts", reviewing the procedures for the assignment of the exposures to be collected to external collection Companies and the relevant management.

The operation of the implemented management processes is summarized below.

The *loan authorization process* in force uses methods based on Rating systems and sets the lending decision-making powers based on the Probability of Default assigned to the counterparty and reassessed at least once a year. Therefore:

- It is compliant with the provisions issued by the Supervisory Body, according to which the processes for loan authorization and counterparty creditworthiness assessment shall use the tools set down for the determination of the economic capital;
- It allows lending decision-making powers to be fine-tuned in accordance with the Customers' riskiness and, therefore, their extension for creditworthy counterparties and their scaling up for weaker ones, triggering, where required, the appropriate mitigation actions. They are differentiated based upon "Decision-making classes" set by the combining the parameters of Probability of Default assigned to the customers and the riskiness of the technical forms based on the presence or absence of certain and enforceable guarantees. For every decision-making class, a maximum limit to the authorized loan has been set.

The loan authorization process is managed by the Company Information System, within the scope of the dedicated specific procedures ("Electronic Loan Application procedure – PEF").

After the first loan has been authorized and disbursed, i.e. after the beginning of the credit relation, the position is periodically reviewed, at regular intervals or in response to an alert from/ initiative of dedicated structures, both peripheral and central, for the following purposes:

- Verifying that the borrower and the relevant guarantors, where any, remain solvent;
- Verifying that the requirements of the guarantees remain complied with (legal certainty, prompt realization and value consistency with the exposure).
- Verifying that concentration limits are complied with;
- Verifying the information on which the counterparty's risk rating is based on and possible changes over time.

The *review process* described above shall lead to confirming, increasing or decreasing the loans granted or to their revocation in compliance with the contract provisions and/ or to increasing the guarantees securing the exposure. There are cases in which the loan review is carried out automatically with the support of an "expert system" applied to positions with low and ascertained risk profiles, by thoroughly examining appropriate and pre-set indicators.

In order to improve the quality of loan-authorization and loan-review processes, in 2016 the "Expert System" was extended to all Business Accounts. This tool supports the account manager in the loan application processing, automatically generates a commentary on the quality of financial statements and suggests further analyses, in order to support the manager for thorough and complete understanding of the enterprise's financial position and to provide him/her with support for meetings with the Enterprise representatives.

The implemented *process for the monitoring and management of non-performing loans* also uses methods based on rating systems. Customers are subdivided based on their risk profile that is rated monthly using the prescribed tools (performance rating) and combining the parameters of internal rating models (Probability of Default) and other indicators that can be immediately detected and useful to notice a sudden down-grading of counterparty risk, as well as a procedure ("Management Electronic Procedure" – Italian acronym PEG) that has been designed to steer the process. Moreover, this monitoring process is fit to ensure that actual risk warnings can be more accurately distinguished from "false alarms" and practical and prompt action lines are set, by which:
- The counterparties showing early warnings due to temporary difficulties 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.

In 2016, the processes for the management of positions classified as Unlikely to Pay benefited from the evolutionary implementations on the EPC platform, which have transformed it from a mainly accounting tool to a procedure that is fully integrated in the information system, allowing the dossier management from inception, both by the Network and by the Central Structures.

Cost of credit

In the present economic situation showing some signs of recovery, the Crédit Agricole Italia Banking Group has 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, from early warnings on, in order to promptly detect any sign of their being non-performing and to take effective action to control the cost of credit.
The actions reported above have succeeded in reversing the growing trend of both the cost of credit and of the amount of the stock of non-performing loans, as experienced in previous years.

Stress test

Within the management and control of credit risk, on a yearly basis, strategies are defined to act on overall exposures to sectors, products or types of customers that have been identified as belonging to sectors that are not fully in line with the corporate objectives in terms of risk control. The performance of the perimeters thus identified is monitored on a quarterly basis.

Within the ICAAP process, the stress test analyses on credit risk were carried out with a factorial model that links the endogenous variables (adjusted bad debt flow) to the macroeconomic variables that have proven to have higher explanatory power and allow the estimated effects to be transferred to the portfolio PDs. Based on forecast scenarios (baseline and stress, historical or worst case), as defined by the user functions or by international forecasters, the PD are estimated as impacted by the above scenarios, broken down by geographical-sector clusters of customers.

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.

In 2016, the ordinary stress testing activity carried out by the Group was extended to the budget and MTP stress exercise (Stress Test Budgetaire) requested by Crédit Agricole S.A. 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 variables. Moreover, as reported in the section on projects, the outcomes of the stress test exercise are taken into account within the definition and management of the Risk Appetite Framework.

Moreover, in 2016, the Crédit Agricole Italia Banking Group contributed to the Regulatory Stress Test exercise that, under the EBA's direction, involved approximately 70% of the European Banking Sector, i.e. 53 banks, of which 39 subject to the Single Supervisory Mechanism (SSM), including the Crédit Agricole S.A. Group; the main evidence at Group level obtained with such exercise were published within the comprehensive assessment.
The objective of this exercise was to verify the resilience of the European Banking Sector in adverse macroeconomic scenarios, based on a common assessment framework able to allow comparison of institutions that, otherwise, would not have been directly comparable; it allowed a forward-looking assessment of the scenario impacts on the income statement main variables. This exercise was coordinated by the Parent Company Crédit Agricole S.A. and required the involvement of the various entities in the international group on specific scopes. Specifically, the Crédit Agricole Italia Banking Group was asked its contribution to determine the credit risk component and the net interest income component. To carry out these activities, as for the ICAAP and for the *Budgetaire* exercise, the methods and tools developed within the Group were used.

2.3 Credit risk mitigation techniques

The Group pursues the mitigation of credit risk by entering into ancillary agreements or by adopting other and specific tools and techniques designed to mitigate this risk. In this regard, collection and management of guarantees is focused on within a control process and system which provide for the identification of specific Responsibilities in order to verify and ensure compliance with the legal requirements and the update of the underlying values. The outcome of control activities are subject to reporting.

In compliance with the recent developments in the regulatory framework, the policies and processes to measure the value of real estate property used as collateral for exposures were reviewed; they are homogeneous at Group level and were confirmed based on very conservative criteria.

2.4 Impaired financial assets

The process to monitor performance allows the procedures for the management and control of the loan portfolio to be triggered; the organizational logic of these procedures is based on the following principles:

- the use of probability of default and of a number of management indicators differentiated by segment and type of Customers to support decision-making activities;
- the diversification of processes depending on the Customer's level of risk.

Monitoring procedures and systems have been further enhanced in order to allow:

- Overlimit positions to be identified in their very early days, in order for the relevant Corporate Departments, Divisions and Services to define and implement the required management remedial actions, where possible;
- The analysis of the files showing statistical real estate revaluations with significant changes compared with the previous values.

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;
- acquiring additional guarantees, whether collaterals and/or personal guarantees, or other credit risk mitigation tools and techniques;
- scheduling and monitoring loan workout plans agreed with Customers;
- enforcement and/or court-ordered acquisition of guarantees for enforced recovery of exposures.

QUANTITATIVE DISCLOSURES

A. CREDIT QUALITY

A.1 Performing and Non-performing exposures: amounts, value adjustments, changes, breakdown by economic sector and geographical area

A.1.1 Breakdown of exposures by portfolio and credit quality (book values)

	Bad debts	Unlikely-to-Pay	Non-performing past due exposures	Other non-performing exposures	Performing exposures	Total
1. Financial assets available for sale	–	–	–	–	3,984,824	3,984,824
2. Investments held to maturity	–	–	–	–	–	–
3. Loans to banks	–	–	–	–	6,384,763	6,384,763
4. Loans to Customers	846,890	1,181,874	48,440	625,973	26,212,103	28,915,280
5. Financial assets designated at fair value	–	–	–	–	–	–
6. Financial assets being divested	–	–	–	–	–	–
Total 31.12.2016	**846,890**	**1,181,874**	**48,440**	**625,973**	**36,581,690**	**39,284,867**
Total 31.12.2015	**792,319**	**1,325,523**	**59,241**	**1,138,083**	**32,557,884**	**35,873,050**

All financial assets are classified by credit quality with the exception of equity securities and units of collective investment undertakings.

Loans to Banks and loans to Customers include both loans and other technical forms (securities, etc.).

Performing loans to customers: analysis of age of past-due loans

	Net exposure
1. Non past-due exposures	26,212,103
2. Up to 90 days	489,613
3. From 91 to 180 days	51,153
4. From 181 to 1 year	60,166
5. More than 1 year	25,041
Total 31.12.2016	**26,838,076**

A.1.2 Breakdown of exposures by portfolio and credit quality (gross and net values)

Portfolio/quality	Non-performing exposures			Performing exposures			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets available for sale	–	–	–	3,984,824	–	3,984,824	3,984,824
2. Investments held to maturity	–	–	–	–	–	–	–
3. Loans to banks	–	–	–	6,384,763	–	6,384,763	6,384,763
4. Loans to Customers	3,625,123	1,547,919	2,077,204	26,973,449	135,373	26,838,076	28,915,280
5. Financial assets designated at fair value	–	–	–	X	X	–	–
6. Financial assets being divested	–	–	–	–	–	–	–
Total 31.12.2016	**3,625,123**	**1,547,919**	**2,077,204**	**37,343,036**	**135,373**	**37,207,663**	**39,284,867**
Total 31.12.2015	**3,656,979**	**1,479,896**	**2,177,083**	**33,857,490**	**161,523**	**33,695,967**	**35,873,050**

All financial assets are classified by credit quality with the exception of equity securities and units of collective investment undertakings.

Loans to Banks and loans to Customers include both loans and other technical forms (securities, etc.).

Portfolio/quality	Assets with clearly poor credit quality		Other assets
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	1,415	2,257	81,014
2. Hedging derivatives	–	–	558,160
Total 31.12.2016	**1,415**	**2,257**	**639,174**
Total 31.12.2015	**2,752**	**12,359**	**599,519**

A.1.3 On-balance-sheet and off-balance-sheet exposures to banks: gross and net values and past due ranges

Type of exposures/values	Gross exposure					Specific value adjustments	Portfolio value adjustments	Net exposure
	Non-performing exposures				Performing exposures			
	Up to three months	From over 3 months to 6 months	From over 6 months to 1 year	Over 1 year				
A. ON-BALANCE SHEET EXPOSURES								
a) Bad debts	–	–	–	–	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	X	X	–	X	–	–
- of which: forborne exposures	*X*	*X*	*X*	*X*	–	*X*	–	–
e) Other performing exposures	X	X	X	X	6,384,763	X	–	6,384,763
- of which: forborne exposures	*X*	*X*	*X*	*X*	–	*X*	–	–
TOTAL A	–	–	–	–	**6,384,763**	–	–	**6,384,763**
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	–	–	–	–	X	–	X	–
b) Performing	X	X	X	X	873,507	X	–	873,507
TOTAL B	–	–	–	–	**873,507**	–	–	**873,507**
TOTAL A+B	–	–	–	–	**7,258,270**	–	–	**7,258,270**

On-balance sheet exposures summarize all financial assets within business with banks as recognized in items 20 “Financial Assets held for trading”, 40 “Financial assets available for sale” and 60 “Loans to Banks”, except for derivatives that, in this section, are considered off-balance-sheet.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees issued, commitments, derivatives, including hedging derivatives) for which credit risk is taken.

A.1.6 On-balance-sheet and off-balance-sheet exposures to customers: gross and net values and past due ranges

Type of exposures/values	Gross exposure					Specific value adjustments	Portfolio value adjustments	Net exposure
	Non-performing exposures				Performing exposures			
	Up to three months	From over 3 months to 6 months	From over 6 months to 1 year	Over 1 year				
A. ON-BALANCE SHEET EXPOSURES								
a) Bad debts	184	–	–	2,085,515	X	1,238,809	X	846,890
- of which: forborne exposures	*–*	*–*	*–*	*372,050*	*X*	*218,371*	*X*	*153,679*
b) Unlikely to Pay	568,028	46,436	121,755	749,238	X	303,583	X	1,181,874
- of which: forborne exposures	*526,269*	*30,321*	*71,462*	*476,516*	*X*	*208,545*	*X*	*896,023*
c) Non-performing past due exposures	3,429	16,924	21,346	12,268	X	5,527	X	48,440
- of which: forborne exposures	*423*	*8,607*	*6,704*	*4,259*	*X*	*1,401*	*X*	*18,592*
d) Performing past due exposures	X	X	X	X	629,924	X	3,951	625,973
- of which: forborne exposures	*X*	*X*	*X*	*X*	*170,152*	*X*	*1,068*	*169,084*
e) Other performing exposures	X	X	X	X	30,328,352	X	131,422	30,196,930
- of which: forborne exposures	*X*	*X*	*X*	*X*	*514,746*	*X*	*3,231*	*511,516*
TOTAL A	**571,641**	**63,360**	**143,101**	**2,847,021**	**30,958,276**	**1,547,919**	**135,373**	**32,900,107**
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	21,366	–	–	–	X	3,103	X	18,263
b) Performing	X	X	X	X	1,280,337	X	1,301	1,279,036
TOTAL B	**21,366**	**–**	**–**	**–**	**1,280,337**	**3,103**	**1,301**	**1,297,299**
TOTAL A+B	**593,007**	**63,360**	**143,101**	**2,847,021**	**32,238,613**	**1,551,022**	**136,674**	**34,197,406**

On-balance sheet exposures summarize all financial assets within business with customers as recognized in items 20 “Financial Assets held for trading”, 40 “Financial assets available for sale” and 70 “Loans to Customers”, except for derivatives that, in this section, are considered off-balance-sheet.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees issued, commitments, derivatives, including hedging derivatives) for which credit risk is taken.

Net non-performing forborne exposures that, in the “cure period” do not have any past due falling within the “Up to 3 months” past due range, came to Euro 361,567 thousand.

A.1.7 On-balance sheet exposures to Customers: changes in gross non-performing exposures

Reasons/categories	Bad debts	Unlikely-to-Pay	Non-performing past due exposures
A. Opening gross exposure	**1,882,920**	**1,705,203**	**63,081**
- of which: sold exposures not derecognized	–	–	–
B. Increases	**388,076**	**366,473**	**50,582**
B.1 from performing loans	24,879	275,430	43,075
B.2 transfers from other categories of non-performing exposures	346,188	39,206	3,907
B.3 other increases	17,009	51,837	3,600
C. Decreases	**185,297**	**586,219**	**59,696**
C.1 to performing loans	99	107,608	8,388
C.2 writeoffs	92,995	17,022	3,413
C.3 collections	55,992	115,091	6,308
C.4 realization on disposals	17,715	–	–
B.2 losses on disposals	17,280	–	–
C.6 transfers to other categories of non-performing exposures	1,216	346,498	41,587
C.7 other decreases	–	–	–
D. Closing gross exposure	**2,085,699**	**1,485,457**	**53,967**
- of which: sold exposures not derecognized	–	–	–

A.1.7 bis On-balance-sheet exposures to Customers: changes in gross forborne exposures broken down by credit quality

Reasons/categories	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure	**1,466,562**	**653,088**
– of which: sold exposures not derecognized	–	–
B. Increases	**301,958**	**406,244**
B.1 from non-forborne performing exposures	71,717	261,311
B.1 from forborne performing exposures	110,755	–
B.3 from forborne non-performing exposures	–	101,839
B.4 other increases	119,486	43,094
C. Decreases	**271,909**	**374,433**
B.1 to non-forborne performing exposures	–	160,658
C.2 to forborne performing exposures	101,839	–
B.3 to forborne non-performing exposures	–	110,755
C.3 derecognition	16,210	138
C.5 collections	62,430	79,458
C.6 realization on disposals	4,684	–
C.7 losses on disposals	5,385	–
C.8 other decreases	81,361	23,424
D. Closing gross exposure	**1,496,611**	**684,899**
– of which: exposures disposed of and not derecognized	–	–

A.1.8 On-balance sheet non-performing exposures to Customers: changes in total value adjustments

Reasons/categories	Bad debts		Unlikely to Pay		Non-performing past-due	
	Total	of which forborne exposures	Total	of which forborne exposures	Total	of which forborne exposures
A. Opening total adjustments	**1,096,376**	**179,376**	**379,680**	**201,804**	**3,840**	**897**
– of which: exposures disposed of and not derecognized	–	–	–	–	–	–
B. Increases	**310,074**	**59,707**	**128,407**	**70,995**	**8,544**	**3,756**
C.2 value adjustments	152,384	29,738	106,386	62,928	5,078	2,230
B.2 losses on disposals	17,280	5,385	–	–	–	–
B.3 transfers from other categories of non-performing exposures	126,582	10,939	3,608	1,913	2,335	1,371
B.4 other increases	13,828	13,645	18,413	6,154	1,131	155
C. Decreases	**167,641**	**20,712**	**204,504**	**64,254**	**6,857**	**3,253**
C.1 writebacks from valuations	34,383	7,368	40,140	26,581	541	121
C.2 writebacks from collections	6,988	427	10,887	1,270	168	18
C.3 gains on disposal	885	364	–	–	–	–
C.3 derecognition	92,995	6,048	17,022	7,777	3,413	2,385
C.5 transfers to other categories of non-performing exposures	1,166	1,120	128,721	26,025	2,638	676
C.6 other decreases	31,224	5,385	7,734	2,601	97	53
D. Total closing adjustments	**1,238,809**	**218,371**	**303,583**	**208,545**	**5,527**	**1,400**
– of which: exposures disposed of and not derecognized	–	–	–	–	–	–

A.2 Classification of exposures based on external and internal ratings

A.2.1 Breakdown of on-balance sheet and off-balance sheet loan exposures by external rating grade

Exposures	External rating grades						Senza rating	Totale
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6		
A. On-balance-sheet exposures	10,201	5,219,070	1,158,886	1,974,118	71,991	16,230	30,834,373	39,284,869
B. Derivatives	–	7,175	6,356	19,239	243	23	570,062	603,098
B.1 Financial Derivatives	–	7,175	6,356	19,239	243	23	570,062	603,098
B. Credit Derivatives	–	–	–	–	–	–	–	–
C. Guarantees issued	439	416,618	229,473	233,970	8,965	1,559	607,537	1,498,561
D. Commitments to disburse funds	–	3,614	965	6,120	32	56	58,360	69,147
E. Other	–	–	–	–	–	–	–	–
Total	**10,640**	**5,646,477**	**1,395,680**	**2,233,447**	**81,231**	**17,868**	**32,070,332**	**41,455,675**

The above breakdown by rating grade refers to measurements made by Cerved Group S.p.A. And DBRS (which are ECAI – External Credit Assessment Institutions – recognized by the Bank of Italy). The “without rating” column reports exposures with counterparties for which ratings given by the two ECAIs are not available, and the relevant key is given in the table below:

Credit rating grade	ECAI - Lince by Cerved Group	DBRS
Grade 1		from AAA to AAL
Grade 2	from A1.1 to A3.1	from AH to AL
Grade 3	B1.1	from BBBH to BBBL
Grade 4	from B1.2 to 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 on-balance-sheet and off-balance-sheet loan exposures by external rating grade

Exposures	Internal rating grades				Without rating	Total
	from AAA to BBB+	from BBB to BBB-	from BB+ to B	from B- to D		
A. On-balance-sheet exposures	**5,120,619**	**9,229,047**	**5,039,594**	**3,010,310**	**16,885,299**	**39,284,869**
B. Derivatives	**3,577**	**25,219**	**16,600**	**5,572**	**552,130**	**603,098**
B.1 Financial Derivatives	3,577	25,219	16,600	5,572	552,130	603,098
B.2 Credit derivatives	–	–	–	–	–	–
C. Guarantees issued	**286,720**	**497,640**	**203,167**	**70,344**	**440,690**	**1,498,561**
D. Commitments to disburse funds	**–**	**24**	**2**	**–**	**69,121**	**69,147**
E. Other	**–**	**–**	**–**	**–**	**–**	**–**
Total	**5,410,916**	**9,751,930**	**5,259,363**	**3,086,226**	**17,947,240**	**41,455,675**

The breakdown by rating grade given below refers to the internal models of the Crédit Agricole Italia Banking Group. The “Without rating” column mainly shows exposures to Banks, public Entities and Sovereign States, for which internal rating models are not available.

Excluding counterparties without rating, 65% of total counterparties falls within the Investment grades (from AAA to BBB-), whereas 22% falls within the BB+/B grades and 13% within the B-/D grades.

A.3 BREAKDOWN OF SECURED EXPOSURES BY TYPE OF GUARANTEE

A.3.1 Secured exposures to Banks

	Net value of exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
						Credit derivatives					Signature loans				
							Other derivatives								
		Net value of exposure	Real estate – Finance	Securities	Other collaterals	CLN	Governments and tl bk	Other public entities	Banks	Other	Governments and central bk	Other public entities	Banks	Other parties	
1. Secured on-balance-sheet exposures:	**500,796**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**500,408**	**239**	**500,647**
1.1 fully secured	350,647	–	–	–	–	–	–	–	–	–	–	–	350,408	239	350,647
- of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1.2 partially secured	150,149	–	–	–	–	–	–	–	–	–	–	–	150,000	–	150,000
- of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Off-balance-sheet secured exposures:	**3,044**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,607**	**–**	**438**	**–**	**3,045**
2.1 fully secured	3,044	–	–	–	–	–	–	–	–	–	2,607	–	438	–	3,045
- of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2.2 partially secured	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
- of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

A.3.2 Secured exposures to Customers

	Net value of exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
						Credit derivatives					Signature loans				
							Other derivatives								
		Net value of exposure	Real estate – Finance	Securities	Other collaterals	CLN	Governments and tl bk	Other public entities	Banks	Other	Governments and central bk	Other public entities	Banks	Other parties	
1. Secured on-balance-sheet exposures:	**21,533,065**	**15,289,526**	**–**	**163,151**	**756,361**	**–**	**–**	**–**	**–**	**–**	**–**	**155,705**	**2,934,618**	**1,739,417**	**21,038,778**
1.1 fully secured	19,175,859	15,169,865	–	97,596	566,693	–	–	–	–	–	–	114,803	1,419,616	1,529,431	18,898,004
- of which non-performing	1,751,924	1,511,119	–	1,930	9,630	–	–	–	–	–	–	5,014	40	172,563	1,700,296
1.2 partially secured	2,357,206	119,661	–	65,555	189,668	–	–	–	–	–	–	40,902	1,515,002	209,986	2,140,774
- of which non-performing	101,068	25,239	–	717	4,528	–	–	–	–	–	–	1,389	–	30,839	62,712
2. Off-balance-sheet secured exposures:	**364,760**	**58,104**	**–**	**21,332**	**90,872**	**62**	**–**	**–**	**–**	**–**	**–**	**–**	**4,686**	**155,812**	**330,868**
2.1 fully secured	278,424	53,947	–	13,673	65,274	62	–	–	–	–	–	–	92	144,802	277,850
- of which non-performing	2,691	–	–	56	709	–	–	–	–	–	–	–	–	1,812	2,577
2.2 partially secured	86,336	4,157	–	7,659	25,598	–	–	–	–	–	–	–	4,594	11,010	53,018
- of which non-performing	1,690	–	–	–	1,113	–	–	–	–	–	–	–	–	250	1,363

In compliance with Bank of Italy Circular No. 262, 4th 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, unlike for previous years, in compliance with the above 4th update, both the above values may 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 (book value)

Exposures/ Counterparties	Governments			Other public entities			Financial companies			Insurance undertakings			Non-financial corporations			Other parties		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
A. On-balance-sheet exposures																		
A.1 Bad debts			X	-	1	X	1,089	7,559	X	-	24	X	568,025	1,036,213	X	277,776	195,012	X
- of which: forborne exposures			X			X	112	1,543	X			X	151,000	215,089	X	2,567	1,739	X
A.2 Unlikely to Pay	-	-	X	1	-	X	31,399	9,055	X			X	1,027,321	265,986	X	123,153	28,542	X
- of which: forborne exposures			X	-	-	X	30,723	8,726	X			X	795,360	188,769	X	69,940	11,050	X
A.3 Non-performing past-due exposures			X	-		X	18	5	X			X	38,328	4,340	X	10,094	1,182	X
- of which: forborne exposures			X			X	-	-	X			X	15,193	1,109	X	3,399	292	X
A.4 Performing exposures	4,018,077		X	56,372		X	5,168,376		3,940	216,948		-	9,928,067		59,293	11,435,063		72,140
- of which: forborne exposures		X			X		5,365	X	34		X		468,868	X	2,962	206,366	X	1,303
Total A	**4,018,077**	**-**	**-**	**56,373**	**1**	**-**	**5,200,882**	**16,619**	**3,940**	**216,948**	**24**	**-**	**11,561,741**	**1,306,539**	**59,293**	**11,846,086**	**224,736**	**72,140**
B. Off-balance-sheet exposures																		
B.1 Bad debts			X			X	384		X			X	6,789	782	X	32	11	X
B.2 Unlikely to Pay			X			X	-	-	X			X	10,540	2,102	X	205	90	X
B.3 Other non-performing exposures			X			X			X			X	302	114	X	11	4	X
B.4 Performing exposures	1,994	X		1,179	X		38,650	X	16	34,050	X	40	1,151,783	X	1,198	51,380	X	47
Total B	**1,994**	**-**	**-**	**1,179**	**-**	**-**	**39,034**	**-**	**16**	**34,050**	**-**	**40**	**1,169,414**	**2,998**	**1,198**	**51,628**	**105**	**47**
Total (A+B) (31.12.2016)	**4,020,071**	**-**	**-**	**57,552**	**1**	**-**	**5,239,916**	**16,619**	**3,956**	**250,998**	**24**	**40**	**12,731,155**	**1,309,537**	**60,491**	**11,897,714**	**224,841**	**72,187**
Total (A+B) (31.12.2015)	**4,250,580**	**-**		**74,137**	**51**		**4,478,228**	**19,113**	**4,241**	**256,713**	**120**	**33**	**12,679,261**	**1,264,738**	**73,663**	**11,359,072**	**199,543**	**84,737**

On-balance-sheet exposures include loans as well as 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 issued, 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 (book value)

Exposures/Geographical areas	North-western Italy		North-eastern Italy		Central Italy		Southern Italy and Islands	
	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 debts	395,330	571,602	301,335	391,517	76,059	141,878	73,551	128,608
A.2 Unlikely to Pay	386,153	96,254	521,287	118,972	205,337	54,803	66,410	32,432
A.3 Non-performing past-due exposures	13,620	1,890	15,106	1,455	13,255	1,394	6,446	785
A.4 Performing exposures	14,853,733	61,803	6,183,485	38,195	7,627,383	22,791	1,855,112	11,684
Total	**15,648,836**	**731,549**	**7,021,213**	**550,139**	**7,922,034**	**220,866**	**2,001,519**	**173,509**
B. Off-balance-sheet exposures								
B.1 Bad debts	1,502	32	5,189	758	466	3	48	–
B.2 Unlikely to Pay	1,609	570	8,941	1,417	167	168	28	37
B.3 Other non-performing exposures	241	94	37	14	31	9	4	1
B.4 Performing exposures	576,846	549	482,739	517	176,138	187	41,354	46
Total	**580,198**	**1,245**	**496,906**	**2,706**	**176,802**	**367**	**41,434**	**84**
Total (A+B) (31.12.2016)	**16,229,034**	**732,794**	**7,518,119**	**552,845**	**8,098,836**	**221,233**	**2,042,953**	**173,593**
Total (A+B) (31.12.2015)	**14,776,568**	**728,774**	**7,906,804**	**530,413**	**8,092,059**	**210,322**	**2,046,308**	**170,216**

B.3 Banking Group – Breakdown by geographical area of on-balance-sheet and off-balance-sheet exposures to Banks (book value)

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 debts	–	–	–	–	–	–	–	–	–	–
A.2 Unlikely to Pay	–	–	–	–	–	–	–	–	–	–
A.3 Non-performing past-due exposures	–	–	–	–	–	–	–	–	–	–
A.4 Performing exposures	3,004,009	–	3,356,921	–	10,496	–	6,619	–	6,718	–
Total A	**3,004,009**	**–**	**3,356,921**	**–**	**10,496**	**–**	**6,619**	**–**	**6,718**	**–**
B. Off-balance-sheet exposures										
B.1 Bad debts	–	–	–	–	–	–	–	–	–	–
B.2 Unlikely to Pay	–	–	–	–	–	–	–	–	–	–
B.3 Other non-performing exposures	–	–	–	–	–	–	–	–	–	–
B.4 Performing exposures	296,611	–	545,114	–	529	–	18,523	–	12,730	–
Total B	**296,611**	**–**	**545,114**	**–**	**529**	**–**	**18,523**	**–**	**12,730**	**–**
Total (A+B) (31.12.2016)	**3,300,620**	**–**	**3,902,035**	**–**	**11,025**	**–**	**25,142**	**–**	**19,448**	**–**
Total (A+B) (31.12.2015)	**2,607,753**	**–**	**2,496,910**	**–**	**10,670**	**–**	**32,695**	**–**	**9,782**	**–**

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 goods are excluded.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees issued, commitments, derivatives) for which credit risk is taken.

B.4 Large risks

As at 31 December 2016, positions showing large risk features as defined in Circular No. 258/2013 (as updated) were:

a1) those having a total nominal amount of Euro 21,457,226 thousand.

a2) those having a total weighted amount of Euro 1,062,389 thousand.

b) a total number of 5.

E. ASSET DISPOSALS

SOLD FINANCIAL ASSETS NOT FULLY DERECOGNIZED

QUANTITATIVE DISCLOSURES

E.1. Sold financial assets not derecognized: book value and full value

Technical forms/ Portfolio	Financial assets held for trading			*Financial assets designated at fair value*			Financial assets available for sale			Investments held to maturity			Loans to Banks			Loans to Customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31.12.2016	31.12.2015
A. On-balance-sheet assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	999
1. Debt securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	999
2. Equity securities	–	–	–	–	–	–	–	–	–	X	X	X	X	X	X	X	X	X	–	–
3. collective investment undertakings	–	–	–	–	–	–	–	–	–	X	X	X	X	X	X	X	X	X	–	–
4. Loans	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
B. Derivatives	–	–	–	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	–	–
Total 31.12.2016	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total 31.12.2015	–	–	–	–	–	–	–	–	–	–	–	–	999	–	–	–	–	–	–	999
of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Key:

A = sold financial assets fully recognized (book value)

B = sold financial assets partially recognized (book value)

C = sold financial assets partially recognized (full value)

E.2. Banking Group – Financial liabilities for sold financial assets not derecognized: book value

Liabilities/Assets portfolio	Financial assets held for trading	*Financial assets designated at fair value*	Financial assets available for sale	Investments held to maturity	Loans to Banks	Loans to Customers	Total
1. Due to Customers	–	–	–	–	–	–	–
a) in respect of assets fully recognized	–	–	–	–	–	–	–
b) in respect of assets partially recognized	–	–	–	–	–	–	–
2. Due to banks	–	–	–	–	–	–	–
a) in respect of assets fully recognized	–	–	–	–	–	–	–
b) in respect of assets partially recognized	–	–	–	–	–	–	–
Total 31.12.2016	–	–	–	–	–	–	–
Total 31.12.2015	–	–	–	–	1,005	–	1,005

The table below reports financial liabilities which have sold assets not derecognized – and still partially or totally recognized in the Balance Sheet – as underlying asset. These are repurchase agreements concerning securities held in the “Financial assets available for sale” and “Loans to Banks” portfolios.

QUALITATIVE DISCLOSURES

E.4. Covered bond transactions

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 – the Special-Purpose Entity dedicated to the Program, of which Crédit Agricole Cariparma holds 60%), operating as the “depositary of the mortgage loans used as collaterals”. This transaction, which is part of a process for enhancing the efficiency of funding sources, aims at providing Crédit Agricole Cariparma with a wider range of liquidity management instruments. This decision was made considering that the Covered Bond market allows the Banks of the Group to have access to funding instruments with higher maturity than the securities placed with their Retail customers, to diversify its investor base and to stabilize the cost of funding. In order to be implemented, this program, 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 it 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 Cariparma resolved to start the design of a program for the issue of covered bonds for a maximum amount of Euro 8 billion.

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 instruments 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 transaction, in accordance with the relevant regulations, consisted in the following activities. The Banks of the Crédit Agricole Italia Banking Group (Crédit Agricole Cariparma, Crédit Agricole FriulAdria and Crédit Agricole Carispezia) 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 favour of whom 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 Cariparma issues the Covered Bonds and the Special-Purpose Entity issues collateral in favour of the holders of the covered bonds.

As a consequence, the repayment of the Covered Bonds that have been issued within the transaction 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 October 2016, the Crédit Agricole Cariparma made a new issue on the Covered Bond market, in a dual-tranche format. This new issue received a favourable feedback from institutional investors and bonds were successfully placed for an amount of Euro 1.5 billion, thus allowing funding to be further stabilized at modest costs. This was the first issue of Covered Bonds with 15-year maturity in Italy.

On 14 March 2017, Crédit Agricole Cariparma launched the first 2017 Italian Covered Bond transaction. The outcome of this transaction, which was proposed to market for a total value of Euro 1.5 billion and in a dual-tranche format, has confirmed investors' good opinion of our Group (orders for Euro 2.9 billion), in the Covered Bond market that is proving slow and very selective.
Both securities are expected to be assigned an Aa2 rating by Moody's.

The disposal pool

The loan pool that, each time, is transferred to the Special-purpose entity must have some common features. In May 2013, June 2016 and February 2016, accounts receivable based on mortgage loans contracts were selected, which, as at their respective transfer date, had, by way of an example and not limited to, the following common features:

- Accounts receivable based on Mortgage loans agreements:
  - Which are home 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 authorized or purchased by the Crédit Agricole Italia Banking Group;
  - Which are performing with no instalments past due for over 30 days from the set due date;
  - 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 time 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.

Upon the first disposal, made by signing, on 20 May 2013, a specific loan sale master agreement, the Banks in the Crédit Agricole Italia Banking Group transferred an initial pool to Crédit Agricole OBG for a total principal amount of approximately Euro 3.2 billion (the "Initial Pool", of which Euro 1.9 billion transferred by Crédit Agricole Cariparma, Euro 1.0 billion by Crédit Agricole FriulAdria and Euro 0.3 billion by Crédit Agricole Carispezia).

Upon the second disposal, made on 20 June 2015, the Banks of the Crédit Agricole Italia Banking Group transferred a second pool to Crédit Agricole OBG for a total principal amount of approximately Euro 2.3 billion (the "Second Pool", of which Euro 1.5 billion transferred by Crédit Agricole Cariparma, Euro 0.4 billion by Crédit Agricole FriulAdria and Euro 0.4 billion by Crédit Agricole Carispezia).

Upon the third disposal, made on 23 February 2016, the Banks of the Crédit Agricole Italia Banking Group transferred a third pool to Crédit Agricole Italia OBG for a total principal amount of approximately Euro 1.0 billion (the "Third Pool", of which Euro 0.7 billion transferred by Crédit Agricole Cariparma, Euro 0.1 billion transferred by Crédit Agricole FriulAdria and Euro 0.2 billion by Crédit Agricole Carispezia).

As at 31 December 2016, the Cover Pool consisted of credit claims resulting from 56,750 mortgage loans, with a total residual debt of approximately Euro 4.8 billion (Euro 3.1 billion transferred by Crédit Agricole Cariparma, Euro 1.1 billion by Crédit Agricole FriulAdria and Euro 0.6 billion by Crédit Agricole Carispezia).

In February 2017, other loan pools were transferred by the Originators to Crédit Agricole Italia OBG for a total nominal value of Euro 1,982,993 thousand, of which Euro 1,389,408 thousand for Crédit Agricole Cariparma, and the relevant price was paid by netting with other subordinated loans.

Current accounts

The Program 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, Capital Account Portion, Reserve Fund Accounts, Guarantor Payments Accounts and Expenses Accounts.

Parties involved in the Program

With regard to the Program, the following parties have the roles set forth here below:
- Transferor Banks: Crédit Agricole Cariparma, Crédit Agricole Carispezia, Crédit Agricole FriulAdria;
- Master Servicer: Crédit Agricole Cariparma (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 Cariparma 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 Cariparma (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 Cariparma (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; on these accounts the liquidity shall be deposited to be used for the payments set as per the Program schedule);
- Asset Monitor: BDO Italia S.p.A. (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, it is presently established that the Asset Monitor, tasked by Crédit Agricole Cariparma, carries 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 Cariparma and Stichting Pavia (which, in this capacity, shall sign 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 S.p.A. (which, in this capacity, shall exercise, towards Crédit Agricole Cariparma and Crédit Agricole Italia OBG, the rights of the counterparties involved in the transaction based on the Program Contracts);
- Administrative Services Provider: Zenith Service S.p.A. (which, in this capacity, shall have the task to provide Crédit Agricole Italia OBG with administrative and corporate services relating to the activities to be carried out within the Program).
- Arranger: CACIB;
- Rating Agency: Moody's.

Risks associated with the transaction

The Program 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 Cariparma performs, at least every 12 months, a verification of the controls carried out, also using the information received and the judgements expressed by the Asset Monitor.

Main features of the Program

The Program financial structure envisages that Crédit Agricole Cariparma may issue Covered Bonds in more than one subsequent series of Covered Bonds to be rated by Moody's Investors Service (presently the expected rating is Aa2).

In 2013 a single issue of Covered Bonds was made, the so-called retained Covered Bonds (which were repurchased by Crédit Agricole Cariparma) 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 Cariparma partially cancelled the securities issued in 2013, which currently amount to Euro 1.2 billion 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 Cariparma 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 Cariparma made two issues of Covered Bonds on the market for a total amount of Euro 1.5 billion; 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.
As at 31 December 2016, therefore, the nominal value of the bonds issued came to Euro 4.7 billion, of which Euro 1.2 billion worth of retained bonds and Euro 3.5 billion worth of bonds publicly traded.
Crédit Agricole Cariparma will be able to issue, within the Program, Covered Bonds for a total amount not exceeding Euro 8 billion.

Section 2 – Market risks

2.1 Interest rate risk and price risk – Supervisory Trading Book

QUALITATIVE DISCLOSURES

General aspects

Crédit Agricole Cariparma does not engage in significant proprietary trading in financial and capital markets. Therefore, trading is essentially instrumental, since Crédit Agricole Cariparma takes only residual financial risk positions on behalf of Customers, based on the concept of intermediation.
Moreover, the Group, since it is part of the Crédit Agricole S.A. Group, is subject to the Volcker Rule and to the “Loi francaise de séparation et de régulation des activitès bancaires” (LBF), which prohibit any banking entity from engaging in proprietary speculative trading with Customers.
The trading book of Crédit Agricole Cariparma consists of over-the-counter derivatives (matched trading) and bonds (to a residual extent). In its capacity as the Parent Company, Crédit Agricole Cariparma coordinates the interest rate risk and price risk profiles of the Group’s trading book, centrally managing financial operations, as well as risk assessment and control activities.
The control of market risk implemented on the trading book ensures that a risk level consistent with the Group’s objectives is continuously maintained.
Given the exposure immateriality, capital absorption is reported in accordance with the standard approach.

Management and measurement of interest rate and price risks

Organisational aspects

The market risk in the Group's trading book is managed as part of each bank's risk policies. This document sets down the internal regulatory system 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 on which the market risk management processes are based.

The Market Risk Policy is one of the components of the overall risk governance model implemented by the Group, consistently with Crédit Agricole S.A. guidelines.

Within the process for market risk management, primary responsibility is assigned to corporate bodies/department, according to their respective areas, and they must be completely aware of Crédit Agricole Cariparma's level of exposure:

- The Board of Directors is tasked with strategic oversight and is therefore responsible for defining market risk governance policies and management processes;
- The Deputy General Manager, 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 market risk management;
- The Risk Management and Permanent Controls Department is responsible for 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 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 framework system for market risk regarding the trading book of 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 S.A. Group. Such risk appetite is structured through global limits and operational limits that are set by the Risk Strategy.

The system of global limits must be able to ensure a controlled development of the business. The limits are set so as to contain losses within a level deemed acceptable for the Crédit Agricole S.A. Group as a whole. Global limits on market risk are set based on the maximum mark-to-market variation vs. the initial value, are validated by the Crédit Agricole S.A. Group Risk Committee (CRG) and approved by the Board of Directors.

Operational limits are specifically adjusted for each Bank of the Group and are validated by each Bank's Board of Directors.

Operational limits are set based on the nominal value of the open position (that is after the clearing of identical purchase and sale positions). Therefore, operational limits are, consistently with global limits, adaptations of the latter by type of asset, product, portfolio, and risk factors.

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 Risk Report, which is fed by automated daily reporting through an internal procedure. It is sent to the Group's Top Management (CFO), to the Departments engaged in market 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 risk reporting to the Group's Executive and Control collective Bodies (Risk Management Committee, Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are exceeded, there are significant changes in markets, significant losses, etc.), the Group triggers the alert procedure, reporting the event and a remedial action plant, as soon as possible, to the Top Management Bodies and to the Direction Risques Groupe of Crédit Agricole S.A.

The Risk Management and Permanent Controls Department also validates the approaches adopted for the pricing models for Over-The-Counter (OTC) derivatives hedging interest rate, exchange rate and commodity risks, if such derivatives are not traded on regulated markets. These instruments, which are bilaterally traded with market counterparties, are measured with specific pricing models that are fed with input parameters (such as interest rate, exchange rate and volatility curves) observed on the market and subject to monitoring processes.

Fair Value Option Book

In 2016, there were no active "fair value option" positions.

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)	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**–**	**–**	**–**	**–**	**1**	**–**	**2**	**–**
1.1 Debt securities	–	–	–	–	1	–	2	–
- with early repayment option	–	–	–	–	–	–	–	–
- other	–	–	–	–	1	–	2	–
1.2 Other assets	–	–	–	–	–	–	–	–
2. On-balance-sheet liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2.1 repurchase agreements for funding purposes	–	–	–	–	–	–	–	–
2.2 Other liabilities	–	–	–	–	–	–	–	–
3. Financial Derivatives	**248,215**	**2,707,924**	**944,492**	**547,773**	**2,178,382**	**546,209**	**91,510**	**–**
3.1 With underlying security	–	5,520	4,138	114	549	508	74	–
– Options	–	–	–	–	–	–	–	–
+ long positions	–	–	–	–	–	–	–	–
+ short positions	–	–	–	–	–	–	–	–
- Other derivatives	–	5,520	4,138	114	549	508	74	–
+ long positions	–	2,385	2,183	114	478	254	37	–
+ short positions	–	3,135	1,955	–	71	254	37	–
3.2 Without underlying security	248,215	2,702,404	940,354	547,659	2,177,833	545,701	91,436	–
– Options	25	1,530	2,442	10,116	92,175	63,927	10,196	–
+ long positions	13	765	1,221	5,058	46,088	31,963	5,098	–
+ short positions	12	765	1,221	5,058	46,087	31,964	5,098	–
- Other derivatives	248,190	2,700,874	937,912	537,543	2,085,658	481,774	81,240	–
+ long positions	124,095	1,349,283	470,055	268,579	1,043,270	240,637	40,620	–
+ short positions	124,095	1,351,591	467,857	268,964	1,042,388	241,137	40,620	–

Type/Residual maturity (Other currencies)	**On demand**	**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	**–**	**142,400**	**76,408**	**51,717**	**1,234**	**69**	**–**	**–**
3.1 With underlying security	–	196	–	56	68	69	–	–
– Options	–	–	–	–	–	–	–	–
+ long positions	–	–	–	–	–	–	–	–
+ short positions	–	–	–	–	–	–	–	–
- Other derivatives	–	196	–	56	68	69	–	–
+ long positions	–	129	–	28	34	4	–	–
+ short positions	–	67	–	28	34	65	–	–
3.2 Without underlying security	–	142,204	76,408	51,661	1,166	–	–	–
– Options	–	208	52	248	390	–	–	–
+ long positions	–	104	26	124	195	–	–	–
+ short positions	–	104	26	124	195	–	–	–
- Other derivatives	–	141,996	76,356	51,413	776	–	–	–
+ long positions	–	71,064	38,178	25,706	388	–	–	–
+ short positions	–	70,932	38,178	25,707	388	–	–	–

2.2 Interest rate risk and price risk – Banking book

QUALITATIVE DISCLOSURES

General aspects, Management and measurement of interest rate risk and price risks

General aspects

Asset Liability Management activities refer to all on-balance-sheet and off-balance-sheet transactions (Banking Book), excluding from this perimeter the positions in the supervisory Trading Book. Fluctuations in interest rates that would impact on the profits of the Crédit Agricole Italia Banking Group, through changers in net interest income and in net banking income and that would also have an effect on capital value since they would cause a change in the net present value of future cash flows are neutralized with hedges that limit the exposure to fluctuations in interest rates.

Organisational aspects

The process for the management of interest rate risk and price risk regarding the Group Banking Book is regulated within the relevant risk policies.

In its capacity as the Parent Company, Crédit Agricole Cariparma 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 the methods for measuring the exposure to interest rate risk, of examining the reporting produced by the Finance Division, as well as to resolve on any measures to be implemented.
- the Risk Management Committee with the task to examine the outcomes of controls of compliance with the RAF and Risk Strategy limits and alert thresholds, as well as of any alert procedures that started.

The CFO, through the Finance Division, has the powers and responsibilities for the management and, specifically, for the measurement of interest rate risk for the entire Group, in compliance with the guidelines issued by the Controlling Company Crédit Agricole S.A. and by the ALM Committee.
The Risk Management and Permanent Controls Department is responsible for control. Therefore, 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. Moreover, on a monthly basis, the Risk Management and Permanent Controls Department carries out the reperforming of the risk indicators set down by Crédit Agricole S.A. within the implemented Risk Strategy.
The framework system for interest rate risk and price risk (banking book) of 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. Such risk appetite is structured through global limits and operational limits that are set by the Risk Strategy.

Risk policy and management

The processes for the management of interest rate and price risks are governed by the respective risk policies.
These documents set down the internal regulatory system for the management of risks with reference to operations in financial instruments, in terms of:

- The 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 policy for the management of interest rate risk is designed to implement the short-term and long-term strategies. The management of this position aims at maximizing the profitability of the single entities of the Group, in compliance with the limits and guidelines set by the Boards of Directors and by the Group Risk Committee of Crédit Agricole S.A. The main financial instruments for the management of interest risk hedges are interest rate derivatives, which, for their very nature, are contracts referring to "pure" interest rate risk.
The policy for the management of the Banking Book is designed to hold liquidity reserves in a LCR perspective. The management of price risk aims at monitoring the impacts on the book value of capital generated by changes in value of the financial instruments held in the Banking Book, consistently with the acceptable risk level as set by the Board of Directors and by the Group Risk Committee of Crédit Agricole S.A.

Control System

Independent control on the system for the management of interest rate risk is performed by the Risk Management and Permanent Controls Department of Crédit Agricole Cariparma, for the Group and for the single entities, by verifying the compliance of such system with the CASA internal model. Specifically, within the scope of its tasks, the Risk Management and Permanent Controls Department:

- controls the risk measurement and models, consistently with the guidelines issued by the Supervisory Body and with the procedures set by Crédit Agricole S.A.
- assesses, within the validation and update process, the results of quantitative and qualitative analysis of the models, expressing its opinion in this regard;
- independently verifies the outcomes of the stress tests on the Banking Book;
- informs the Board of Directors and Crédit Agricole S.A. (within the control process) of any case in which the limits set for risk management have been breached since the last communication and recommends remedial actions to be implemented, after obtaining the opinion of the Finance Division.

The Risk Management and Permanent Controls Department is responsible for control of compliance with the set limits (global, operational and alert thresholds); therefore, it prepares and sends to the corporate Bodies its Financial Risk Report, covering the control outcomes, 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 Management Committee, as well as to the Internal Control Committee. A summary of the above Report is the basis for quarterly reporting on risks to the Boards of Directors of the Group Banks.

Risk measurement: Methodological aspects and limit structure

For measuring interest rate risk, the Group has adopted an interest-rate gap model, according to which, at each future maturity date, the cumulative gap generated assets and liabilities existing as at the relevant date is measured. To calculate the fixed-rate gap, on-balance-sheet exposures to interest rate risk must be identified, as well as the stable component of demand items, the effects of the "optionality" underlying some Banking Book positions must be estimated (e.g. early repayment of mortgage loans), as well as the maturity of some balance sheet items that have no certain contractual maturity, in accordance with the proprietary models of the Group and of Crédit Agricole S.A.
In line with the instructions given by Crédit Agricole S.A., a set of limits for the gaps was defined, which represents the maximum acceptable level of interest rate risk for the Group. These limits are calculated with reference to a series of risk indicators that measure the impact of a change in interest rates on equity. The ALM Committee and the Comité Suivi Métier (CSM) approved the new limits proposed, which were then submitted to the Group Risk Committee of Crédit Agricole S.A. and to the Boards of Directors of the Banks.
In line with the Group management profile, the limit structure was approved and confirmed within the Risk Strategy:
Consistently with the guidelines issued by the Crédit Agricole S.A. Group, the limit system consists of global limits and operational limits (that are then adapted to each single entity of the Group). As regards global limits on interest rate risk, the Risk Strategy has confirmed:

- Global limit in terms of Net Present Value (NPV);
- Gap global limits subdivided into different time ranges.

As regards price risk for the Banking Book, global limits have been set, based on the type of instruments that can be held (Government securities), which are expressed with reference to the maximum nominal value, and further global limits and alert thresholds have been identified regarding the stress testing of the portfolio.
Operational limits have the same structure and are then adapted to each single Entity of the Group. These limits are approved by the Boards of Directors of the single Banks.

Fair value hedging

Interest rate risk hedging has the objective of immunizing 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), mortgage loans with cap to Customers (macro-hedging), government securities classified as AFS (micro-hedging) and fixed-rate gaps detected by the internal model, which have been subject to macro-hedging. The hedges were made exclusively by purchasing Interest Rate Swaps and Interest Rate Options.
In compliance with the IAS/IFRS, the effectiveness of the hedges was assessed by the Finance Division, which carries out the relevant tests on a monthly basis and keeps the relevant formal documentation.

Cash flow hedging

There is no current cash flow hedging.

QUANTITATIVE DISCLOSURES

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Type/Residual maturity (EURO)	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**7,363,982**	**17,970,891**	**823,111**	**1,759,777**	**3,925,290**	**3,681,408**	**3,309,216**	**157,801**
1.1 Debt securities	–	–	–	656,226	1,540,732	1,787,866	–	157,801
- with early repayment option	–	–	–	–	–	–	–	–
- other	–	–	–	656,226	1,540,732	1,787,866	–	157,801
1.2 Loans to banks	853,968	3,716,272	112,609	17,475	369,104	797,264	387,254	–
1.3 Loans to customers	6,510,014	14,254,619	710,502	1,086,076	2,015,454	1,096,278	2,921,962	–
– c/a	582,563	319,205	35,579	229,184	137,425	4,415	826,816	–
– other loans	5,927,451	13,935,414	674,923	856,892	1,878,029	1,091,863	2,095,146	–
- with early repayment option	5,284	249,661	86,089	26,260	20,558	69	7	–
- other	5,922,167	13,685,753	588,834	830,632	1,857,471	1,091,794	2,095,139	–
2. On-balance-sheet liabilities	**20,309,246**	**3,832,688**	**1,031,845**	**640,040**	**4,344,434**	**3,304,782**	**3,268,378**	**–**
2.1 Due to customers	20,199,080	606,778	301,206	1,620	3,476	–	2,141,519	–
– c/a	18,438,444	600,085	300,000	–	–	–	2,141,519	–
– other due and payables	1,760,636	6,693	1,206	1,620	3,476	–	–	–
- with early repayment option	–	–	–	–	–	–	–	–
- other	1,760,636	6,693	1,206	1,620	3,476	–	–	–
2.2 Due to banks	107,199	2,500,104	45,452	57,911	2,300,219	557,315	387,261	–
– c/a	93,252	–	–	–	–	–	–	–
– other due and payables	13,947	2,500,104	45,452	57,911	2,300,219	557,315	387,261	–
2.3 Debt securities	2,967	725,806	685,187	580,509	2,040,739	2,747,467	739,598	–
- with early repayment option	–	–	–	–	–	–	–	–
- other	2,967	725,806	685,187	580,509	2,040,739	2,747,467	739,598	–
2.4 Other liabilities	–	–	–	–	–	–	–	–
- with early repayment option	–	–	–	–	–	–	–	–
- Other	–	–	–	–	–	–	–	–
3. Financial Derivatives	**45**	**7,618**	**39**	**270,076**	**218,079**	**260,495**	**220,343**	**–**
3.1 With underlying security	–	–	–	–	–	–	–	–
– Options	–	–	–	–	–	–	–	–
+ long positions	–	–	–	–	–	–	–	–
+ short positions	–	–	–	–	–	–	–	–
- Other derivatives	–	–	–	–	–	–	–	–
+ long positions	–	–	–	–	–	–	–	–
+ short positions	–	–	–	–	–	–	–	–
3.2 Without underlying security	45	7,618	39	270,076	218,079	260,495	220,343	–
– Options	45	7,618	39	270,076	218,079	260,495	220,343	–
+ long positions	7	20	19	135,038	110,518	130,672	112,073	–
+ short positions	38	7,598	20	135,038	107,561	129,823	108,270	–
- Other derivatives	54,000	17,628,930	572,860	1,608,980	7,471,600	7,395,900	750,000	–
+ long positions	–	3,962,500	554,530	1,083,805	5,676,600	5,713,700	750,000	–
+ short positions	54,000	13,666,430	18,330	525,175	1,795,000	1,682,200	–	–
4. Other off-balance-sheet transactions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
+ long positions	–	–	–	–	–	–	–	–
+ short positions	–	–	–	–	–	–	–	–

Type/Residual maturity (Other currencies)	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**33,981**	**202,168**	**11,730**	**20,092**	**20,764**	**1,884**	**4**	**–**
1.1 Debt securities	–	–	–	–	–	–	–	–
- with early repayment option	–	–	–	–	–	–	–	–
- other	–	–	–	–	–	–	–	–
1.2 Loans to banks	22,807	102,773	3,071	–	2,166	–	–	–
1.3 Loans to customers	11,174	99,395	8,659	20,092	18,598	1,884	4	–
– c/a	10,877	2	1	2	–	–	4	–
– other loans	297	99,393	8,658	20,090	18,598	1,884	–	–
- with early repayment option	–	20,010	928	1,257	20	–	–	–
- other	297	79,383	7,730	18,833	18,578	1,884	–	–
2. On-balance-sheet liabilities	**172,170**	**123,385**	**6,213**	**2,108**	**–**	**–**	**–**	**–**
2.1 Due to customers	168,220	398	508	420	–	–	–	–
– c/a	166,938	398	508	420	–	–	–	–
– other due and payables	1,282	–	–	–	–	–	–	–
- with early repayment option	–	–	–	–	–	–	–	–
- other	1,282	–	–	–	–	–	–	–
2.2 Due to banks	3,950	122,987	5,705	1,688	–	–	–	–
– c/a	3,950	–	–	–	–	–	–	–
– other due and payables	–	122,987	5,705	1,688	–	–	–	–
2.3 Debt securities	–	–	–	–	–	–	–	–
- with early repayment option	–	–	–	–	–	–	–	–
- other	–	–	–	–	–	–	–	–
2.4 Other liabilities	–	–	–	–	–	–	–	–
- with early repayment option	–	–	–	–	–	–	–	–
- Other	–	–	–	–	–	–	–	–
3. Financial Derivatives	**2**	**34,154**	**–**	**–**	**–**	**–**	**–**	**–**
3.1 With underlying security	–	–	–	–	–	–	–	–
– Options	–	–	–	–	–	–	–	–
+ long positions	–	–	–	–	–	–	–	–
+ short positions	–	–	–	–	–	–	–	–
- Other derivatives	–	–	–	–	–	–	–	–
+ long positions	–	–	–	–	–	–	–	–
+ short positions	–	–	–	–	–	–	–	–
3.2 Without underlying security	2	34,154	–	–	–	–	–	–
– Options	–	–	–	–	–	–	–	–
+ long positions	–	–	–	–	–	–	–	–
+ short positions	–	–	–	–	–	–	–	–
- Other derivatives	–	–	–	–	–	–	–	–
+ long positions	–	–	–	–	–	–	–	–
+ short positions	–	–	–	–	–	–	–	–
4. Other off-balance-sheet transactions	**2**	**34,154**	**–**	**–**	**–**	**–**	**–**	**–**
+ long positions	–	17,078	–	–	–	–	–	–
+ short positions	2	17,076	–	–	–	–	–	–

2.3 Exchange rate risk

QUALITATIVE DISCLOSURES

General aspects, management and measurement of exchange rate risk

General aspects

The Crédit Agricole Italia Banking Group is not engaged in proprietary trading on the currency market and does not hold assets or liabilities which are not hedged against this risk. 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 Cariparma coordinates the exchange rate 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 exchange rate risks is regulated by the relevant risk policy. This Policy is one of the components of the overall risk governance model implemented by the Group, consistently with the guidelines given by Crédit Agricole S.A.

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 framework system for exchange rate risk of the Group 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 laid down by the Risk Strategy. The system of global limits must be able to ensure a controlled development of the business. Global limits on exchange rate risk are set based on the value in Euro of the single positions and are validated by the Crédit Agricole S.A. Group Risk Committee (CRG) and approved by the Board of Directors.
Operational limits are specifically adjusted for each Bank of the Group and are validated by each Bank's Board 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 Risk Report, which is fed by automated daily reporting through an internal procedure. It is sent to the Group's Top Management (CFO), to the Departments engaged in 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 risk reporting to the Group's Executive and Control collective Bodies (Risk Management Committee, Internal Control Committee, Board of Auditors, Board of Directors).
If certain events occur (the limits are exceeded, there are significant changes in markets, significant losses, etc.), the Group triggers the alert procedure, reporting the event and a remedial action plant, as soon as possible, to the Top Management Bodies and to the Direction Risques Groupe of Crédit Agricole.

Exchange rate risk hedging

Exchange rate 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 exchange rate risk positions exceeding the authorized operational limits. Back-to-back hedging transactions are carried out with Authorized Financial Counterparties and are traded upon the closing of the relevant transactions with Customers.

QUANTITATIVE DISCLOSURES

1. Breakdown by currency of assets and liabilities and derivatives

Items	Currencies					
	UNITED STATES DOLLAR	POUND STERLING	JAPAN YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER CURRENCIES
A. Financial Assets	**250,238**	**16,501**	**3,128**	**3,079**	**8,163**	**9,513**
A.1 Debt securities	–	–	–	–	–	–
A.2 Equity securities	–	–	–	–	–	–
A.3 Loans to banks	101,716	16,109	2,186	2,424	864	7,518
A.4 Loans to customers	148,522	392	942	655	7,299	1,995
A.5 Other financial assets	–	–	–	–	–	–
B. Other assets	**1,009**	**448**	**54**	**50**	**350**	**314**
C. Financial Liabilities	263,113	16,799	3,143	3,004	8,309	9,507
C.1 Due to banks	126,420	301	35	289	1,529	5,756
C.2 Due to customers	136,693	16,498	3,108	2,715	6,780	3,751
C.3 Debt securities	–	–	–	–	–	–
C.4 Other financial liabilities	–	–	–	–	–	–
D. Other liabilities	**2,397**	**181**	**3**	**43**	**213**	**203**
E. Financial derivatives	**246,413**	**19,666**	**6**	**3,556**	**1,370**	**432**
– Options	406	494	–	–	–	–
+ long positions	203	247	–	–	–	–
+ short positions	203	247	–	–	–	–
- Other derivatives	246,007	19,172	6	3,556	1,370	432
+ long positions	123,066	9,536	3	1,778	668	286
+ short positions	122,941	9,636	3	1,778	702	146
Total assets	**374,516**	**26,732**	**3,185**	**4,907**	**9,181**	**10,113**
Total liabilities	**388,654**	**26,863**	**3,149**	**4,825**	**9,224**	**9,856**
Mismatch (+/-)	**14,138**	**131**	**36**	**82**	**43**	**257**

2.4 Derivatives

A. Financial Derivatives

A.1. Supervisory Trading Book: closing notional values

Underlying assets/Type of derivative	31.12.2016		31.12.2015	
	Over-the Counter	Central counterparties	Over-the Counter	Central counterparties
1. Debt securities and interest rates	**5,767,802**	**–**	**7,236,433**	**–**
a) Options	2,362,868	–	3,700,396	–
b) Swaps	3,404,934	–	3,536,037	–
c) Forward contracts	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
2. Equity securities and equity indices	**175**	**–**	**–**	**–**
a) Options	175	–	–	–
b) Swaps	–	–	–	–
c) Forward contracts	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
3. Foreign exchange and gold	**441,968**	**–**	**298,484**	**–**
a) Options	182,864	–	59,232	–
b) Swaps	–	–	826	–
c) Forward contracts	259,104	–	238,426	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
4. Commodities	**2,537**	**–**	**7,020**	**–**
5. Other underlying assets	**–**	**–**	**–**	**–**
Total	**6,212,482**	**–**	**7,541,937**	**–**

A.2 Banking Book: closing notional values

A.2.1 Held for Hedging

Underlying assets/Type of derivative	31.12.2016		31.12.2015	
	Over-the Counter	Central counterparties	Over-the Counter	Central counterparties
1. Debt securities and interest rates	**18,415,534**	**–**	**17,489,971**	**–**
a) Options	674,399	–	353,873	–
b) Swaps	17,741,135	–	17,117,189	–
c) Forward contracts	–	–	18,909	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
2. Equity securities and equity indices	**–**	**–**	**–**	**–**
a) Options	–	–	–	–
b) Swaps	–	–	–	–
c) Forward contracts	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
3. Foreign exchange and gold	**–**	**–**	**–**	**–**
a) Options	–	–	–	–
b) Swaps	–	–	–	–
c) Forward contracts	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
4. Commodities	**–**	**–**	**–**	**–**
5. Other underlying assets	**–**	**–**	**–**	**–**
Total	**18,415,534**	**–**	**17,489,971**	**–**

A.2.2 Other derivatives

Underlying assets/Type of derivative	31.12.2016		31.12.2015	
	Over-the Counter	Central counterparties	Over-the Counter	Central counterparties
1. Debt securities and interest rates	–	–	**449,536**	–
a) Options	–	–	449,536	–
b) Swaps	–	–	–	–
c) Forward contracts	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
2. Equity securities and equity indices	–	–	–	–
a) Options	–	–	–	–
b) Swaps	–	–	–	–
c) Forward contracts	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
3. Foreign exchange and gold	–	–	–	–
a) Options	–	–	–	–
b) Swaps	–	–	–	–
c) Forward contracts	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
4. Commodities	–	–	–	–
5. Other underlying assets	–	–	–	–
Total	–	–	**449,536**	–

A.3 Financial derivatives: gross positive fair value – breakdown by product

Underlying assets/Type of derivative	Positive fair value			
	31.12.2016		31.12.2015	
	Over-the Counter	Central counterparties	Over-the Counter	Central counterparties
A. Supervisory Trading Book	**83,267**	**–**	**99,203**	**–**
a) Options	7,875	–	5,806	–
b) Interest rate swap	70,870	–	90,507	–
c) Cross currency swap	–	–	–	–
d) Equity swap	–	–	–	–
e) Forward contracts	4,301	–	2,742	–
f) Futures	–	–	–	–
g) Other	221	–	148	–
B. Banking Book – hedging	**558,160**	**–**	**511,574**	**–**
a) Options	22,404	–	5,862	–
b) Interest rate swap	535,756	–	505,511	–
c) Cross currency swap	–	–	–	–
d) Equity swap	–	–	–	–
e) Forward contracts	–	–	201	–
f) Futures	–	–	–	–
g) Other	–	–	–	–
C. Banking Book – other derivatives	**–**	**–**	**1,059**	**–**
a) Options	–	–	1,059	–
b) Interest rate swap	–	–	–	–
c) Cross currency swap	–	–	–	–
d) Equity swap	–	–	–	–
e) Forward contracts	–	–	–	–
f) Futures	–	–	–	–
g) Other	–	–	–	–
Total	**641,427**	**–**	**611,836**	**–**

A.4 Financial derivatives: gross negative fair value – breakdown by product

Underlying assets/Type of derivative	Negative fair value			
	31.12.2016		31.12.2015	
	Over-the Counter	Central counterparties	Over-the Counter	Central counterparties
A. Supervisory Trading Book	**93,854**	**–**	**108,779**	**–**
a) Options	7,640	–	17,049	–
b) Interest rate swap	81,702	–	88,892	–
c) Cross currency swap	–	–	–	–
d) Equity swap	–	–	–	–
e) Forward contracts	4,284	–	2,701	–
f) Futures	–	–	–	–
g) Other	228	–	137	–
B. Banking Book – hedging	**595,982**	**–**	**507,537**	**–**
a) Options	–	–	–	–
b) Interest rate swap	595,982	–	507,537	–
c) Cross currency swap	–	–	–	–
d) Equity swap	–	–	–	–
e) Forward contracts	–	–	–	–
f) Futures	–	–	–	–
g) Other	–	–	–	–
C. Banking Book – other derivatives	**–**	**–**	**973**	**–**
a) Options	–	–	973	–
b) Interest rate swap	–	–	–	–
c) Cross currency swap	–	–	–	–
d) Equity swap	–	–	–	–
e) Forward contracts	–	–	–	–
f) Futures	–	–	–	–
g) Other	–	–	–	–
Total	**689,836**	**–**	**617,289**	**–**

A.5 OTC financial derivatives: Supervisory Trading Book: notional values, gross positive and negative fair values by counterparty – contracts not included in netting arrangements

Contracts not included in netting arrangements	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance undertakings	Non-financial corporations	Other parties
1) Debt securities and interest rates							
– notional value	–	260	–	154,380	–	2,247,673	258,122
– positive fair value	–	–	–	4,519	–	64,704	315
– negative fair value	–	–	–	1	–	838	1,463
– future exposure	–	–	–	480	–	8,204	20
2) Equity securities and equity indices							
– notional value	–	–	175	–	–	–	–
– positive fair value	–	–	552	–	–	–	–
– negative fair value	–	–	–	–	–	–	–
– future exposure	–	–	14	–	–	–	–
3) Foreign exchange and gold							
– notional value	–	–	130,446	346	–	214,715	2,752
– positive fair value	–	–	1,616	15	–	4,633	42
– negative fair value	–	–	2,685	–	–	1,770	45
– future exposure	–	–	1,320	3	–	2,504	28
4) Other assets							
– notional value	–	–	–	–	–	1,271	–
– positive fair value	–	–	–	–	–	2	–
– negative fair value	–	–	–	–	–	227	–
– future exposure	–	–	–	–	–	127	–

A.6 Financial Derivatives: Supervisory Trading Book: notional values, gross positive and negative fair values by counterparty – contracts included in netting arrangements

Contracts included in netting arrangements	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance undertakings	Non-financial corporations	Other parties
1) Debt securities and interest rates							
– notional value	–	–	3,107,367	–	–	–	–
– positive fair value	–	–	6,405	–	–	–	–
– negative fair value	–	–	84,790	–	–	–	–
2) Equity securities and equity indices							
– notional value	–	–	–	–	–	–	–
– positive fair value	–	–	–	–	–	–	–
– negative fair value	–	–	–	–	–	–	–
3) Foreign exchange and gold							
– notional value	–	–	93,709	–	–	–	–
– positive fair value	–	–	245	–	–	–	–
– negative fair value	–	–	2,034	–	–	–	–
4) Other assets							
– notional value	–	–	1,266	–	–	–	–
– positive fair value	–	–	219	–	–	–	–
– negative fair value	–	–	1	–	–	–	–

A.8 OTC financial derivatives: Banking Book: notional values, gross positive and negative fair values by counterparty – contracts included in netting arrangements

Contracts included in netting arrangements	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance undertakings	Non-financial corporations	Other parties
1) Debt securities and interest rates							
– notional value	–	–	18,415,534	–	–	–	–
– positive fair value	–	–	558,160	–	–	–	–
– negative fair value	–	–	595,982	–	–	–	–
2) Equity securities and equity indices							
– notional value	–	–	–	–	–	–	–
– positive fair value	–	–	–	–	–	–	–
– negative fair value	–	–	–	–	–	–	–
3) Foreign exchange and gold							
– notional value	–	–	–	–	–	–	–
– positive fair value	–	–	–	–	–	–	–
– negative fair value	–	–	–	–	–	–	–
4) Other assets							
– notional value	–	–	–	–	–	–	–
– positive fair value	–	–	–	–	–	–	–
– negative fair value	–	–	–	–	–	–	–

A.9 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. Supervisory Trading Book	**1,488,960**	**3,121,173**	**1,602,348**	**6,212,481**
A.1 Financial derivatives on debt securities and interest rates	1,123,930	3,041,524	1,602,348	5,767,802
A.2 Financial derivatives on equity securities and equity indices	–	175	–	175
A.3. Financial Derivatives on exchange rates and gold	362,493	79,474	–	441,967
B.4 Financial derivatives on other assets	2,537	–	–	2,537
B. Banking book	**2,598,635**	**7,076,148**	**8,740,752**	**18,415,535**
B.1 Financial derivatives on debt securities and interest rates	2,598,635	7,076,148	8,740,752	18,415,535
B.2 Financial derivatives on equity securities and equity indices	–	–	–	–
A.3. Financial Derivatives on exchange rates and gold	–	–	–	–
B.4 Financial derivatives on other assets	–	–	–	–
Total (31.12.2016)	**4,087,595**	**10,197,321**	**10,343,100**	**24,628,016**
Total (31.12.2015)	**5,715,097**	**11,169,513**	**8,596,834**	**25,481,444**

A. Financial and Credit Derivatives

C.1. OTC financial and credit derivatives: net fair values and future exposure by counterparty

Contracts included in netting arrangements	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance undertakings	Non-financial corporations	Other parties
1) Debt securities and interest rates							
– notional value	–	–	526,698	–	–	–	–
– positive fair value	–	–	644,476	–	–	–	–
– negative fair value	–	–	–	–	–	–	–
2) Equity securities and equity indices	–	–	–	–	–	–	–
– notional value							
– positive fair value	–	–	–	–	–	–	–
– negative fair value	–	–	–	–	–	–	–
3) Foreign exchange and gold	–	–	–	–	–	–	–
– notional value	–	–	–	–	–	–	–
– positive fair value							
– negative fair value	–	–	–	–	–	–	–
4) Other assets	–	–	–	–	–	–	–
– notional value	–	–	–	–	–	–	–
– positive fair value	–	–	–	–	–	–	–
– negative fair value	–	–	–	–	–	–	–

Section 3 – Liquidity risk

QUALITATIVE DISCLOSURES

General aspects, management and measurement of liquidity risk

General and organisation aspects

Liquidity risk refers to the possibility that the Bank 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 Cariparma Board of Directors, is based on the principle of separation of liquidity management and measurement processes from liquidity risk controlling processes, in compliance with the regulatory requirements and with the guidelines issued by Crédit Agricole S.A.

This model provides for the measurement and management of liquidity risk to be centrally performed by the Parent Company Crédit Agricole Cariparma, who is also responsible for the funding process of all the entities in the Group. This framework is defined as the “Liquidity System”.

The model lays down the responsibilities of the corporate Bodies, Departments, Divisions and Roles 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 system of limits, the assumptions at the basis of stress tests, the Plan d’Urgence[(1)] and the Contingency Funding Plan.
- The CFO, through the Finance Division, 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 Division operates in compliance with the directions given by the ALM Committee, in which the General Management of the Entities of the Group participates.
- The Risk Management and Permanent Controls Department is responsible for the permanent controls mechanism, controls 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 Division, it is also responsible for monitoring the ratios and indicators provided for in the Contingency Funding Plan.

The process for liquidity risk management is governed by the relevant risk policy.

(1) The Board of Directors of the Parent Company Crédit Agricole Cariparma implemented the “Plan d’Urgence du Groupe Crédit Agricole”, which, in case of any severe and long-lasting general liquidity crisis, provides for every entity of the Crédit Agricole Group to give the required contribution to convert the reserves, as stated and used to calculate the limits, into liquidity, where so requested by Crédit Agricole S.A. Crisis Committee.

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 Cariparma is able to meet its on-balance-sheet payment commitments, expected and unexpected, in such a way as not to prejudice normal business.

A basic condition for achieving this objective is to permanently maintain sufficient balance between incoming and outgoing liquidity flow.

The liquidity risk monitoring system considers the following factors:
- Keeping immediate liquidity, i.e. the net balance of customer sources, excess 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 based on planned rates (monitoring the performance of liquidity from loans to customers/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 using the method set by the Liquidity System aimed at ensuring surplus liquidity over a one-year horizon in a market under 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.

Alert thresholds have also been implemented for the management medium-/long-term liquidity, by defining the ratios Position en Resources Stable (PRS) and Coefficient en Resources Stable (CRS). 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). Positive levels of the above indicators substantiate the Bank's ability to support its assets during a crisis.

Moreover, a concentration limit to MLT maturities (Concentration des tombées de dette MLT) has been set, which aims at ensuring balance between maturities of MLT resources and maturities of long-term uses.

The resilience ratios for every one of the assumed scenarios are calculated on a monthly basis.

These ratios have the purpose of monitoring compliance with the Group's risk appetite and are set against specific limits, defined 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 Cariparma for its approval.

Within Short-Term Liquidity Risk monitoring, on a monthly basis the Crédit Agricole Italia Banking Group fines tunes 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 cash outflows in the subsequent 30 calendar days.

It is reported that, in 2016, the Crédit Agricole Italia Banking Group carried out a Covered Bond issuance on the market in a dual-tranche format for a total of Euro 1.5 billion; the Covered Bonds were fully subscribed by institutional investors. With this transaction, the Group aims at further improving its liquidity profile diversifying funding sources and stabilizing them on longer maturities.

On 14 March 2017, Crédit Agricole Cariparma launched the first 2017 Italian Covered Bond transaction. The outcome of this transaction, which was proposed to market for a total value of Euro 1.5 billion and in a dual-tranche format, has confirmed investors' good opinion of our Group (orders for Euro 2.9 billion), in the Covered Bond market that is proving slow and very selective.
Both securities are expected to be assigned an Aa2 rating by Moody's.

The Banks of the Group have participated in the cover pool transferring receivables from mortgage loans.

In 2016, the Crédit Agricole Italia Banking Group also participated in TLTRO II for an amount of Euro 1.9 billion.

Finally, in marketing the products of Crédit Agricole Cariparma, 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 allows the internal return rate to be determined, 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 controlling compliance with the set limits; therefore, it prepares and issues its own Financial Risk Report, which includes information on the control outcomes and on any breaches of the limits or alert thresholds. On a quarterly basis, it also submits a summary of the above Report to the Risk Management Committee, to the Internal Control Committee and to the Board of Directors of Crédit Agricole Cariparma.

The Risk Management and Permanent Controls Department independently calculates the short-term liquidity ratios (LCT) and monitors – on a monthly basis – the stress scenario and alert indicators as generated by the Crédit Agricole Group's tools. Jointly with the Finance Division, it is also responsible for monitoring the ratios and indicators provided for in the Contingency Funding Plan.

A process is in place for reporting and formalizing a corrective plan to the Top Management and to Crédit Agricole S.A., in the event of any global limits being exceeded, of significant losses, warning thresholds being reached in terms of risks or performance, significant variations in ratios and indicators, potentially negative and unexpected changes in financial markets, systematic inadequacy or malfunctioning of risk management and measurement system, or any other event or situation deemed relevant in monitoring liquidity risk.

QUANTITATIVE DISCLOSURES

1. Breakdown of financial assets and liabilities by residual contract maturity

Items/ Timeframe (EURO)	On demand	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 up to 1 year	From over 1 year up to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets	**2,017,543**	**2,274,914**	**504,722**	**628,519**	**1,171,967**	**1,493,210**	**3,106,840**	**12,518,391**	**14,840,419**	**462,894**
A.1 Government securities	–	–	–	–	38,013	6,914	596,728	1,320,001	1,547,201	–
A.2 Other debt securities	–	–	–	–	–	–	8,883	–	4	135,000
A.3 Units of collective investment undertakings	356	–	–	–	–	–	–	–	–	–
A.4 Loans	2,017,187	2,274,914	504,722	628,519	1,133,954	1,486,296	2,501,229	11,198,390	13,293,214	327,894
- banks	269,414	2,185,451	350,196	100,245	101,444	363,410	18,447	1,352,445	1,184,500	327,894
- customers	1,747,773	89,463	154,526	528,274	1,032,510	1,122,886	2,482,782	9,845,945	12,108,714	–
On-balance-sheet liabilities	**22,526,883**	**1,687,841**	**154,659**	**171,525**	**1,162,182**	**996,432**	**894,678**	**4,823,342**	**4,458,786**	**–**
B.1 Deposits and current accounts	22,278,037	1,685,000	150,004	138,179	555,670	300,527	64,032	399,706	944,500	–
- banks	99,732	1,685,000	–	136,874	100,252	–	58,191	399,706	944,500	–
- customers	22,178,305	–	150,004	1,305	455,418	300,527	5,841	–	–	–
B.2 Debt securities	78,004	2,841	4,655	29,301	519,729	689,070	762,623	2,067,187	3,500,000	–
B.3 Other liabilities	170,842	–	–	4,045	86,783	6,835	68,023	2,356,449	14,286	–
Off-balance-sheet transactions	**164,653**	**23,276**	**10,052**	**50,754**	**139,501**	**126,617**	**213,120**	**1,608**	**270,460**	**120**
C.1 Financial derivatives with exchange of principal	–	19,446	7,840	40,233	75,893	78,879	50,567	1,608	460	120
- long positions	–	9,252	3,921	20,122	37,969	39,556	25,348	1,001	230	60
- short positions	–	10,194	3,919	20,111	37,924	39,323	25,219	607	230	60
C.2 Financial derivatives without exchange of principal	164,653	3,830	2,212	10,521	63,608	47,738	162,553	–	270,000	–
- long positions	76,891	3,487	1,002	9,521	34,964	41,849	118,538	–	135,000	–
- short positions	87,762	343	1,210	1,000	28,644	5,889	44,015	–	135,000	–
C.3 Deposits and loans to be received	–	–	–	–	–	–	–	–	–	–
- long positions	–	–	–	–	–	–	–	–	–	–
- short positions	–	–	–	–	–	–	–	–	–	–
3) Irrevocable commitments to disburse funds	–	–	–	–	–	–	–	–	–	–
- long positions	–	–	–	–	–	–	–	–	–	–
- short positions	–	–	–	–	–	–	–	–	–	–
C.5 Financial guarantees issued	–	–	–	–	–	–	–	–	–	–
C.6 Financial guarantees received	–	–	–	–	–	–	–	–	–	–
C.7 Credit derivatives with exchange of principal	–	–	–	–	–	–	–	–	–	–
- long positions	–	–	–	–	–	–	–	–	–	–
- short positions	–	–	–	–	–	–	–	–	–	–
C.7 Credit derivatives without exchange of principal	–	–	–	–	–	–	–	–	–	–
- long positions	–	–	–	–	–	–	–	–	–	–
- short positions	–	–	–	–	–	–	–	–	–	–

Items/Timeframes (Other currencies)	On demand	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 up to 1 year	From over 1 year up to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets	**42,142**	**87,111**	**21,059**	**51,736**	**42,640**	**23,033**	**1,501**	**20,738**	**1,895**	**–**
A.1 Government securities	–	–	–	–	–	–	–	–	–	–
A.2 Other debt securities	–	–	–	–	–	–	–	–	–	–
A.3 Units of collective investment undertakings	–	–	–	–	–	–	–	–	–	–
A.4 Loans	42,142	87,111	21,059	51,736	42,640	23,033	1,501	20,738	1,895	–
- banks	22,807	82,546	5,160	2,385	12,705	3,086	–	2,166	–	–
- customers	19,335	4,565	15,899	49,351	29,935	19,947	1,501	18,572	1,895	–
On-balance-sheet liabilities	**174,238**	**20,353**	**29,371**	**44,573**	**29,297**	**6,239**	**41**	**–**	**–**	**–**
B.1 Deposits and current accounts	171,268	20,069	29,371	41,957	29,085	6,239	41	–	–	–
- banks	3,950	20,069	29,371	41,957	28,684	5,729	–	–	–	–
- customers	167,318	–	–	–	401	510	41	–	–	–
B.2 Debt securities	–	–	–	–	–	–	–	–	–	–
B.3 Other liabilities	2,970	284	–	2,616	212	–	–	–	–	–
Off-balance-sheet transactions	**2**	**31,369**	**7,972**	**41,592**	**95,622**	**76,408**	**51,717**	**1,234**	**70**	**–**
C.1 Financial derivatives with exchange of principal	–	14,293	7,972	41,592	78,544	76,408	51,717	1,234	70	–
- long positions	–	7,243	3,986	20,796	39,272	38,204	25,858	617	5	–
- short positions	–	7,050	3,986	20,796	39,272	38,204	25,859	617	65	–
C.2 Financial derivatives without exchange of principal	–	–	–	–	–	–	–	–	–	–
- long positions	–	–	–	–	–	–	–	–	–	–
- short positions	–	–	–	–	–	–	–	–	–	–
C.3 Deposits and loans to be received	–	17,076	–	–	17,076	–	–	–	–	–
- long positions	–	17,076	–	–	–	–	–	–	–	–
- short positions	–	–	–	–	17,076	–	–	–	–	–
3) Irrevocable commitments to disburse funds	2	–	–	–	2	–	–	–	–	–
- long positions	–	–	–	–	2	–	–	–	–	–
- short positions	2	–	–	–	–	–	–	–	–	–
C.5 Financial guarantees issued	–	–	–	–	–	–	–	–	–	–
C.6 Financial guarantees received	–	–	–	–	–	–	–	–	–	–
C.7 Credit derivatives with exchange of principal	–	–	–	–	–	–	–	–	–	–
- long positions	–	–	–	–	–	–	–	–	–	–
- short positions	–	–	–	–	–	–	–	–	–	–
C.7 Credit derivatives without exchange of principal	–	–	–	–	–	–	–	–	–	–
- long positions	–	–	–	–	–	–	–	–	–	–
- short positions	–	–	–	–	–	–	–	–	–	–

As at 31 December 2016, the Parent Company Crédit Agricole Cariparma was carrying out two so-called "internal" securitization transactions transferring receivables deriving from mortgage loans so called "fondiari" (real estate mortgage loans with duration of more than 18 months and ratio between the loan amount and the value of the collateral not higher than 80%) secured by first mortgage.
As at 31 December 2016, the residual debt of securitized mortgage loans amounted to Euro 3,480 million. Subsequent to the transfer of the mortgage loans, the Parent Company fully subscribed the securities (Senior and Junior) having the following features:

Securitization 1:
- Senior: nominal value Euro 1,405 million, maturity 31 January 2058, indexed to EUR 6M+0.35%;
- Junior: nominal value Euro 390 million, maturity 31 January 2058, indexed to EUR 6M+0.60% + variable portion;

Securitization 2:
- Senior: nominal value Euro 1,353 million, maturity 30 April 2060, indexed to EUR 6M+0.75%;
- Junior: nominal value Euro 453 million, maturity 30 April 2060, indexed to EUR 6M+0.90% + variable portion;

In order to provide the SPE with liquidity to pay the coupons, two Interest Rate Swap transactions were carried with the SPE for a notional value of Euro 1,405 million and Euro 1,353 million, respectively, with maturities on 31 January 2058 and 30 April 2060; the derivative amortization reflects the amortization of the senior security.

Section 4 – Operational risks

QUALITATIVE DISCLOSURES

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 measures, as well as private settlements.

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 by the Group Banks with the regulatory requirements for the use of the Traditional Standardised Approach (TSA) for the calculation of the Regulatory Capital as provided for by Basel 3, with the exception of Crédit Agricole Leasing Italia (an intermediary pursuant to Article 107 of the Italian Consolidated Banking Act -TUB), which uses the base approach;
- constant improvement in 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;
- To fine-tune the permanent controls systems and to extend the coverage of the same controls within the company perimeter;

Macro-organisational aspects

The Risk Management and Permanent Controls Department of Crédit Agricole Cariparma is responsible for the governance of the Group’ operational risks, 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 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 Central 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 engaged in this function, which works with the well-established and complementary contributions, in its operating, management and mitigation activities, of specialized roles, departments and mechanisms:
- ORM (Operational Risk Manager, Italian acronym: MRO);

- Control on Outsourced Important Operational Functions/Provision of Outsourced Essential Services (Italian acronyms FOIE/PSEE), on Physical Security and on the Business Continuity Plan (BCP or with the Italian acronym PCO);
- PRSI (Pilote des Risques SI), in charge of monitoring and control of IT risks on the Information System;
- 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;
- Fraud Prevention Unit (Italian acronym: NAF);
- Structures and tools, instrumental for proper risk control and for the management of mitigation/improvement actions, including:
  - the Supervisory Committee of Crédit Agricole S.A. (Comité Suivi Métier);
  - the Internal Control Committee;
  - the Risk Management Committee;
  - the FOIE/PSEE Interfunctional Unit for the Provision of Outsourced Important Operational Functions and the Provision of Outsourced Essential Services;
  - the BCP (Business Continuity Plan) Interfunctional Unit;
  - the Supervisory Committee on IT Security and on BCP of the Parent Company Crédit Agricole S.A. (CSSCA, Supervisory Committee on Security and Business Continuity);
  - the system of remote controls for the Distribution Network, together with early warning 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. has been intended for the harmonization with 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;
- verification of the controls actual implementation;
- development of the system for remote 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);
- Scenario analysis (prospective measurement of exposure to high-impact low-frequency operational risks, relating to specific contexts);
- 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 (FOIE/PSEE, improvement, ...).

Each of these processes entails information processing based on methods that are predefined, repeatable and formalized in the Company's regulations, 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 ("Self-Risk Assessment") aimed at designing an annual Action Plan to be submitted to the Board of Directors, which contains All the initiatives that the persons in charge of the various corporate processes have reported as necessary, to mitigate the main existing operational risks;
- implementation of the permanent controls plan, both within the Distribution Network and at Central Departments, in order to control the most critical processes;
- a fraud prevention unit, whose Manager coordinates the Company's structures in the interception, management and prevention of frauds;
- implementation of a training program focusing specifically on fraud prevention, in order to foster risk culture and awareness;
- implementation of the system for control and monitoring of outsourced essential services (FOIE/PSEE), specifically with a new regulatory structure and a general review on existing outsourcing contracts;
- implementation of the mechanism for control and monitoring on:
- Physical security;
- Business continuity (BCP);
- Implementation of the unit engaged in control and monitoring of Information and Communication Technology (ICT) Risk.

Transfer of risk

Based on specific assessments, the Group transfers operational risk through the following dedicated initiatives:
- activation of insurance policies to offset the impact of unexpected losses;
- implementation of a structure that has the objective, among others, of assessing and managing insurance covers;
- coordination with Crédit Agricole S.A., aimed at ensuring full consistency between the transfer strategy and the Group objectives.

Other activities implemented

Proactive involvement 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.
Implementation of initiatives aimed at compliance with the new Supervisory regulation on the Internal Controls System – ICS – (15th update of Bank of Italy's Circular No. 263/2006).

Risk management coordination and shared solutions

This is the specific task of the Group Operational Risks Committee, composed of the main Corporate Departments, which is responsible for:
- Approving guidelines and action plans on operational risks (other than Compliance).
- Reporting on LDC (Loss Data Collection).
- Monitoring control activities and outcomes, as well as:
  - periodically validating operational risk mapping;
  - periodically validating the identification of risk scenarios being measured during the Scenario Analysis Process.
- 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 PRSI (Pilote des Risques SI) and by the CISO (Chief Information Security Officer).
- Assessing the dossiers on outsourced important operational functions and essential services (PSEE/OEA) for the Crédit Agricole Italia Banking Group;
- managing risk transfer, with specific reference to insurance coverage.

FOIE – Outsourced Essential Services (called by CAsa PSEE – Provisions of Outsourced Essential Services)

In 2016, the new control regulatory requirements were formally issued and monitoring requirements were updated regarding the management of Outsourced Important Operational Functions (FOIE), pursuant to the supervisory regulations (specifically, Bank of Italy Circular No. 285/2013 as updated). The FOIE/PSEE control function, which is part of the Operational Risks and Permanent Controls Division of the Risk Management and Permanent Controls Department, is responsible for the process governing the outsourcing of essential services and for defining the relevant regulation; it also has specific responsibilities for the control/monitoring phases and for methodological support. The FOIE/PSEE control function chairs and steers the FOIE/PSEE Interfunctional Work Group.

The most important actions concerned:
- The Group's "Outsourcing Policy" and the relating "Regulation Implementing the Group Outsourcing Policy", whose perimeter includes all types of outsourcing, both of which were officially issued at the beginning of 2016 and which:
  - Govern the general process system and – with specific regard to Important Operational Functions (FOI) – Take account also of the actual experience gained internally, as well as of the System best practices;
  - provide for the activities and obligations for the outsourcing of Information Systems;
  - lay down the specifications for the outsourcing of cash handling;
- Strong support to the corporate structures in outsourcing management, aimed both at proper exercise of the process and at wider dissemination of an outsourcing culture;
- The implementation of general monitoring and increasing the awareness of the outsourced service owners as regards their responsibilities, using also:
  - A specific "*Tableau de bord*", managed by the FOIE/PSEE control function and aimed, depending on the respective responsibilities, at acquiring all information and updates required to control compliance of all relationships with vendors (in terms of agreements and performance) with the regulatory guidelines, both Supervisory and corporate ones;
  - A specific "*Tableau de bord*", managed by the Purchasing Division and focused on the outsourced FOI contract agreements, aimed at acquiring all information required to verify full compliance with such contract agreements, detecting and reporting any problems;
  - Regular updating of the permanent controls plan;
  - Systematic exercise of specific activities (e.g. Risk assessment, participation in Work Groups), also in cooperation with the corporate departments and divisions concerned, for direct monitoring of FOIE-related operational risks.

In 2016, the activities of the FOIE/PSEE specific Interfunctional Work Groups continued, mainly aiming at:
- Verifying that the requirements to be deemed essential are met or continue to be met for newly-outsourced or already outsourced services under review, respectively;
- analyzing and managing the critical situations that actually occurred;
- To increase the awareness of the relevant Corporate Structures in order for them to implement the most suitable solutions to maintain full compliance of all outsourced services they own with the applicable regulations.

The most important results concerned the robustness of contracts with vendors and the consolidation of methods, approaches and culture on this matter, all foreboding satisfactory general quality within the outsourcing of Important Operational Functions (FOI).

IT systems security

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
- 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.

In order to enhance Information System (IS) security, the Crédit Agricole S.A. Group has started a process for the evolution of internal Governance; implementing the relevant indications, in 2016 the Crédit Agricole Italia Banking Group started a project to formally set the structures, roles and responsibilities as required for such evolution.

Specifically, the above evolution involves:

- 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 on the Information System (Italian acronym PRSI);
- The Human Resources and Strategic Marketing Department of the Crédit Agricole Italian Banking Group, with the Chief Information Security Officer (CISO) to be placed within this Department;
- Crédit Agricole Group Solutions, with a new definition of the role as IT Security Manager (RSI – *Responsable de la Sécurité Informatique*) assigned to the Head of the Security Division.

Business Continuity Plan (Italian acronym: PCO)

In 2016, 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 2016, the main activities were:

- Full implementation of the actions to comply with the Supervisory regulations (Bank of Italy Circular No. 285/2013), also as regards the incorporation of the service company within the perimeter of the Crédit Agricole Italia Banking Group ("Crédit Agricole Group Solutions" Consortium);
- Full implementation of the method adopted by the Parent Company Crédit Agricole S.A. for Business Continuity Management;
- The implementation, on a regular basis, of testing and certification sessions concerning the solutions for the restoration of IT Systems (both mainframe and departmental environments, networks and TLC, Security Control-room) and the critical processes in the business continuity perimeter, including special scenarios of "massive non-availability of servers or workstations (WS)";

- Full implementation of the procedures provided for by the Crisis Management Organizational Model (Italian acronym MOGC) regarding the management of data availability;
- The adequacy assessment and analysis of business continuity plans and of the relevant tests of providers of Outsourced Important Operational Functions (FOIE);
- The updating of the Business impact analysis (BIA);
- The updating of emergency Operational Plans (back-up solutions to be triggered in case of crisis);
- Comparison to third-party solutions (e.g. EBA, Monte Titoli), participating in the simulations of such solutions;

The reliability of the business continuity plan was favourably verified by the departments and divisions engaged in control functions.

In 2016, the specific “BCP Interfunctional Work Groups” continued their activities, in order to share the progress in the relevant activities and to ensure alignment of all corporate structures involved in business continuity.

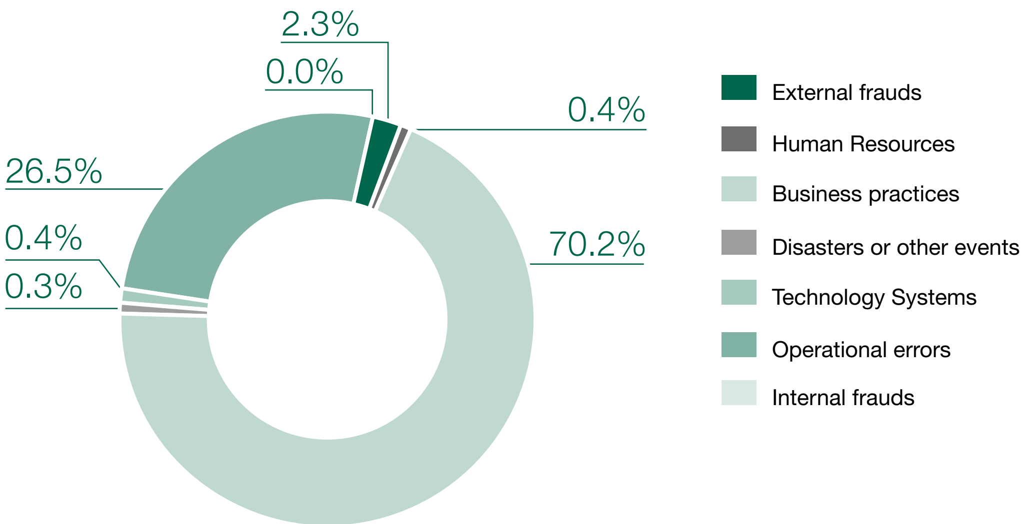
Loss data

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 economic loss 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 Suppliers/Providers.

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 collections excluding insurance-related ones) by event type recognized in 2016. Any so-called “boundary losses” have been excluded.



Activities of the Validation Unit

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 Cariparma and Crédit Agricole FriulAdria. In accordance with the outcomes of the controls performed in 2015 and in the first six months of 2016, the Validation Service is of the opinion that the methods to estimate probability of default (PD) and loss given default (LGD), as well as 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 regulatory capital.

The analyses performed within the follow-up process, at the end of 2015 and as of 30 June 2016, showed 29 actions implemented and 3 actions to be called off since the situation that had originated them no longer applied, for a total of 49 actions underway as at 30 June 2016.

The backtesting analyses carried out on Retail models as at 30 June 2016 confirmed the discriminatory ability of the internal models as detected on the development sample, as well as the conservative feature of the risk parameters that were re-calibrated in 2014. The distribution of the Retail portfolio along the main sociological and financial analysis axes, as well as on the rating scale, was found overall stable. It is to be stressed that the concentration of Customers belonging to the Individuals and Sole Traders sub-segments in the less risky rating grades was again fund significant. The requirement for the use of internally-estimated risk parameters in the management was strengthened with the introduction of the new performance indicator, while the internal controls system was strengthened by adding new verifications to control data quality and correct reclassification of financial statements. Room for improvement was found in the traceability of the information used to calculate acceptance ratings and in the automation of the loan pricing process.

In January 2016, the Validation Service sent its annual report on the controls performed in 2015 and in the first six months of 2016 to the Bank of Italy; this report focused specifically on the rating system used for the Retail segment.

The 2017 Validation Plan, which was submitted to the Board of Directors of Crédit Agricole Cariparma in February 2017, provides for a wide range of activities, of which the following are worth specific mentioning:

- Validation of the model change process for the PD and LGD models used for the Retail portfolio;
- Monitoring of the performances of the PD and LGD models used for the Retail and Corporate portfolios;
- Verification of the relevance of the data input to internal models within loan authorization;
- Analysis of the loan pricing process;
- Monitoring of compliance with the requirements for use in the management of internally-estimated risk parameters on the Retail portfolio.

PART F – INFORMATION ON EQUITY

Section 1 – Shareholders' equity

A. QUALITATIVE DISCLOSURES

The own funds management policy implemented by Crédit Agricole Cariparma is aimed at maintaining the level of resources needed at any time to cope with the risks taken.

B. QUANTITATIVE DISCLOSURES

B.1 Shareholders' equity: composition

The breakdown of equity as at 31 December 2016 is given below:

Items/Values	31.12.2016	31.12.2015
1. Capital	876,762	876,762
2. Share premium reserve	2,736,004	2,736,004
3. Reserves	935,195	877,433
– income reserves	932,405	875,072
a) legal reserve	143,507	132,682
b) reserve provided for by the Articles of Association	771,450	724,942
c) treasury shares	–	–
d) other	17,448	17,448
– Other	2,790	2,361
4. Equity instruments	200,000	–
5. (Treasury Shares)	–	–
6. Valuation reserves	–5,349	67,362
– Financial assets available for sale	19,360	89,164
– Property, plant and equipment	–	–
– Intangible assets	–	–
– Hedging of investments in foreign operations	–	–
– Cash flow hedges	–	–
– Exchange rate differences	–	–
Non-current assets held for sale/disposal groups	–	–
– Actuarial gains (losses) on defined-benefit pension plans	–24,709	–21,802
– Portion of Valuation Reserves on equity investments measured using the equity method		
– Special revaluation laws	–	–
7. Net Profit (loss) for the year	205,022	216,501
Total	**4,947,634**	**4,774,062**

B.2 Reserves from valuation of financial assets available for sale: composition

Assets/Values	31.12.2016		31.12.2015	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	26,345	–6,590	87,418	–
2. Equity securities	1,853	–2,152	1,773	–
3. Units of collective investment undertakings	–	–96	–	–27
4. Loans	–	–	–	–

B.3 Reserves from valuation of financial assets available for sale: changes for the year

	Debt securities	Equity securities	Units of collective investment undertakings	Loans
1. Opening balance	**87,418**	**1,773**	**–27**	**–**
2. Increases	**955**	**129**	**–**	**–**
2.1 Fair value gains	955	90	–	–
2.2 Reversal to Income Statement of negative reserves:	–	–	–	–
- for impairment	–	39	–	–
- for realization	–	–	–	–
2.3. Other changes	–	–	–	–
3. Decreases	**68,618**	**2,201**	**69**	**–**
3.1 Fair value losses	41,400	2,201	69	–
3.2 Impairment losses	–	–	–	–
3.3 Reversal to Income Statement of positive reserves: from realization	27,218	–	–	–
3.4. Other changes	–	–	–	–
4. Closing Balance	**19,755**	**–299**	**–96**	**–**

Section 2 – Own Funds and supervisory requirements for Banks

2.1 OWN FUNDS

A. QUALITATIVE DISCLOSURES

Own Funds, minimum capital requirements and the consequent capital ratios were determined on the basis of the provisions of Bank of Italy Circular No. 285 of 17 December 2013 (as updated) “Supervisory provisions for Banks” and Circular No. 286 of 17 December 2013 (as updated) “Instructions for the preparation of reports on Regulatory Capital and capital ratios for banks and securities intermediation firms”.

1. Common Equity Tier 1 (CET1)

The Common Equity Tier 1 of Crédit Agricole Cariparma as at 31 December 2016 consisted of high quality components (share capital, share premium reserves, other reserves) appropriately adjusted for goodwill, other intangible assets, 60% of Excess of expected losses vs. value adjustments (the so-called shortfall, referring to the advanced approach), 60% of “Unrealized Losses” (negative AFS and actuarial reserves) 40% of the AFS reserves regarding exposures to central counterparties.

Subsequent to the publication in the Official Journal of the European Union of IFRS 9 in November 2016, Crédit Agricole Cariparma suspended the transitional treatment of unrealised gains and losses on exposures to central governments classified as AFS (pursuant to Regulation (EU) 575/2013, Article 467).

2. Additional Tier 1 (AT1)

The positive elements of Additional Tier 1 include the AT1 Capital Instrument for Euro 200 million issued in 2016; the negative elements include 20% of the shortfall and 40% of “Unrealized Losses” (negative AFS and actuarial reserves).

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in foreign currency	Book value	Portion that can be included in AT1
Subordinated loan	29 Dec. 2016	perpetual	with call from 29 Dec. 2021	3M Euribor + 804 b.p.	euro	200,000	200,000	200,000

3. Tier 2 (T2)

As at 31 December 2016, the positive elements of Tier 2 capital included subordinated deposits subscribed by Crédit Agricole (they contribute to Tier 2 capital for the amount remaining after amortization for prudential purposes pursuant to Article 64 of Regulation (EU) 575/2013); its negative elements included 20% of the shortfall.

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in foreign currency	Book value	Portion that can be included in Tier 2
Subordinated liabilities	17 Dec. 2008	17 Dec. 2018	5 instalments from 17 Dec. 2014	3M Euribor + 334 b.p.	Euro	250,000	100,101	98,082
Subordinated liabilities	30 Mar. 2011	30 Mar. 2021	5 instalments from 30 Mar. 2017	3M Euribor + 220 b.p.	Euro	400,000	400,021	339,726

It is also pointed out that the Tier 2 Capital, among the instruments issued by subsidiaries/associates and included in the Tier 2, reports the relevant portion of the subordinated loan issued by the subsidiary Crédit Agricole Carispezia on 14 December 2007 and subject to transitional provisions.

Such loan was issued for a nominal value of Euro 30 million, with maturity on 14 December 2017, interest rate equal to 3M Euribor + 30b.p. and is to be repaid in 5 instalments starting from 14 December 2013.

B. QUANTITATIVE DISCLOSURES

Categories/amounts	31.12.2016	31.12.2015
OWN FUNDS		
A. Common Equity Tier 1 – CET1 prior to the application of prudential filters	**4,611,127**	**4,596,797**
of which CET 1 instruments subject to transitional regulations	–	–
B. CET1(+/-) prudential filters	–3,572	–1,160
C. CET1 including deductible elements and the effects of the transitional regulations (A+/-B)	**4,607,555**	**4,595,637**
D. Elements to be deducted from CET1	**1,409,039**	**1,498,693**
E. Transitional regulation – Impact on CET1 (+/-), including minority interests subject to transitional regulation	**152,090**	**165,627**
F. Total Common Equity Tier 1 – CET1 (C – D	**3,350,606**	**3,262,571**
+/-E)	**200,000**	**84,000**
G. Additional Tier 1 – AT1 including deductible elements and the effects of the transitional regulations	–	84,000
of which AT1 instruments subject to transitional regulations	**–**	**–**
H. Elements to be deducted from AT1	**–85,017**	**–133,272**
I. Transitional regime – Impact on AT1 (+/-), including instruments issued by subsidiaries/associates and included in AT1 under transitional provisions	**114,983**	**–**
L. Total Additional Tier 1 – AT1 (G-H+/-I)	**437,808**	**626,604**
M. Tier 2 – T2 including deductible elements and the effects of the transitional regulations	–	–
of which T2 instruments subject to transitional regulations	**–**	**–**
N. Elements to be deducted from T2	**–74,975**	**–119,195**
O. Transitional regime – Impact on T2 (+/-), including instruments issued by subsidiaries/associates and included in T2 under transitional provisions	**362,833**	**507,409**
P. Total Tier 2 -T2 (M-N+/-O)	**3,828,422**	**3,769,980**
Q. Total own funds (F+L+P)		

2.2 CAPITAL ADEQUACY

A. QUALITATIVE DISCLOSURES

Compliance with the minimum capital requirements is verified by comparing Own Funds, calculated as reported above, with total risk-weighted assets determined in accordance with Bank of Italy Circular No. 285 of 17 December 2013 (as updated) “Supervisory provisions for Banks” and Circular No. 286 of 17 December 2013 (as updated) “Instructions for the preparation of reports on Regulatory Capital and capital ratios for banks and securities intermediation firms”.

The above ratio shows a Total Capital ratio value that, as at 31 December 2016, ensured full compliance with the thresholds set down by the Supervisory regulations. This performance is also the result to a specific corporate policy that favours distribution of earnings to shareholders, also to acknowledge and reward the key role of minority shareholders in maintaining a strong bond with the communities the Bank operates in, always in full compliance with the regulatory limits and with the recommendations issued by the Regulator.

B. QUANTITATIVE DISCLOSURES

Categories/amounts	Non-weighted amounts		Weighted amounts/ requirements	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISKS	**45,221,008**	**43,246,066**	**15,998,696**	**15,421,443**
1. Standardized Approach	29,476,302	27,789,235	13,271,170	12,654,173
2. IRB approach	15,744,706	15,456,831	2,727,526	2,767,270
2.1 Foundation	–	–	–	–
2.2 Advanced	15,744,706	15,456,831	2,727,526	2,767,270
3. Securitizations	–	–	–	–
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISKS			**1,279,896**	**1,233,715**
B.2 RISK OF VALUE ADJUSTMENTS TO LOANS			**6,342**	**1,081**
B.3 REGULATORY RISK			–	–
B.4 MARKET RISKS			**113**	**72**
1. Standardized Approach			113	72
2. Internal models			–	–
3. Concentration risk			–	–
B.5 OPERATIONAL RISK			**151,612**	**151,183**
1. Basic indicator approach			–	–
2. Standardized approach			151,612	151,183
3. Advanced approach			–	–
B.6 OTHER MEASUREMENT ELEMENTS			–	–
B.7 TOTAL PRUDENTIAL REQUIREMENTS			**1,437,963**	**1,386,051**
C. EXPOSURES AND CAPITAL ADEQUACY RATIOS				
C.1 Risk-weighted assets			17,974,538	17,325,647
C.2 Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio)			18.6%	18.8%
C.3 Tier 1/Risk-weighted assets (Tier 1 capital ratio)			19.3%	18.8%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			21.3%	21.8%

PART G – BUSINESS COMBINATIONS

In the reporting year, no business combinations were carried out.

PART H – TRANSACTIONS WITH RELATED PARTIES

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 framework regulation concerning related parties (Article 2391-bis of the Italian Civil Code, Article 53 of the Italian Consolidated Law on Banking 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 first supervisory reporting was made on 31 March 2013, as required by the Supervisory Authority.

The Crédit Agricole Italia Banking Group had already adopted a Regulation on transactions with related parties implementing the original CONSOB regulation of 2010; on 11 December 2012, in accordance with the regulation issued by the Bank of Italy, Crédit Agricole Cariparma approved the Document "Regulation for Risk Activities and Conflicts of Interests with Parties associated to the Crédit Agricole Italia Banking Group", in order to give the Group a specific internal regulation that amounts to the new body of law on these matters and in order to harmonize the various regulations in force. On 29 July 2014, the above Regulation was updated.

In addition to identifying the related parties of the Crédit Agricole Italia Banking Group, this document lays down prudential limits for risk activities 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 timeframe for the provision of reporting and appropriate documentation on the transactions to be resolved to (i) independent directors, as well as, where necessary, (ii) to the control bodies.

With regard to controls, the required control activities are carried out by different corporate roles, 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 legislation, also pursuing the objective to appropriately prevent and manage potential conflicts of interests in transactions with associated persons.

Related parties

Related parties of the Crédit Agricole Italia Banking Group are:

a) corporate officers, namely the members of the Board of Directors, of the Board of Auditors and of the Senior Management of the Companies in the Group;
b) The shareholder/investor, that is to say, the natural or legal person controlling or exercising significant influence on the company;
a) The person, other than a shareholder/investor, who can appoint, on his/her/its own, one or more members of the body engaged in strategic oversight functions, also based on any agreement whatsoever or clauses of the Articles of Association dealing with or providing for the exercise of the above rights and powers;
d) a company or an enterprise, also set up in a legal form other than that of a company, on which a Group company can exercise control or a significant influence;
e) The identified staff.

Connected Persons

Persons connected to a related party are defined as follows:

- companies or enterprises, also set up in a legal form other than that of a company, which are controlled by a related party;
- Persons controlling a related party among those listed at points b and c of the relevant definition, that is to say, persons or entities that are directly or indirectly subject to joint control with the same related party;
- close family members of a related party or the companies or enterprises controlled by the same.

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 single companies belonging to the Group refer to the same perimeter of associated persons as determined by the Parent Company Crédit Agricole Cariparma, without prejudice to any specific sector regulations applicable to the single Companies.

1. Information on remuneration of senior managers with strategic responsibilities

In the light of the above-mentioned Regulation managers with strategic responsibilities include persons having direct and indirect power and responsibility over the planning, management and control of Crédit Agricole Cariparma's operations, 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 Shareholders' General Meeting.

The table below reports the amounts of the main benefits awarded to Directors, Auditors and Managers tasked with strategic responsibilities.

	31.12.2016
Short-term employee benefits	9,316
Benefits subsequent to severance from employment	375
Other long-term benefits	–
Employee severance benefits	–
Share-based payments (Stock options)	–

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 above Regulation. 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.

TYPE OF RELATED PARTIES	Financial assets held for trading	Financial assets available for sale	Loans to Customers	Loans to Banks	Due to Customers	Due to Banks	Guarantees issued
Controlling Company	–	–	–	3,268,834	–	2,468,219	1,174
Entity exercising significant influence on Company	–	–	–	–	55,009	–	–
Subsidiaries	3,027	–	1,596,510	2,056,300	410,290	1,574,335	62,156
Associates	235	–	16,308	–	8,720	–	35
Directors and Managers with strategic responsibilities	–	–	10,420	–	4,489	–	–
Other related parties	8,558	400	3,770,973	607,571	326,551	8,303	51,986
Total	**11,820**	**400**	**5,394,211**	**5,932,705**	**805,059**	**4,050,857**	**115,351**

PART I – SHARE-BASED PAYMENTS

QUALITATIVE DISCLOSURES

Crédit Agricole Cariparma 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 S.A. Group was completed in December 2016 with the assignation of shares to Employees. Two possibilities of investment were offered: the Classique formula (shares of Crédit Agricole S.A. with a 20% discount vs. market value), and the Multiple formula (shares of Crédit Agricole S.A. with a 20% discount vs. market value in addition to a Stock Appreciation Right or SAR, as investment protection). These shares will be tied for the following five years, at the end of which time each employee may freely dispose of them.

In 2016, 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, as reported in the previous paragraph, amounts to Euro 428 thousand (recognized in 2016).

PART L – SEGMENT REPORTING

Operations and income by business segment

In compliance with IFRS 8 *Operating Segments*, the figures on operations and income by business segment are given using the "*management reporting approach*".

Segment reporting was prepared using the multiple ITR (internal transfer rate) method, integrating the cost of liquidity in compliance with the Bank of Italy's provisions.

Crédit Agricole Cariparma operates through an organizational structure that includes: **Retail** and **Private Banking** channels designed to provide services to individuals, households and small businesses; the **Corporate Banking** channel designed to provide services to larger-size companies. The **Other** channel is of a residual nature and includes the activities pertaining to central departments, with specific reference to governance.

Income from the Retail and Private Banking channels came to Euro 1,176 million, increasing by +0.8% YOY, mainly due to the net fee and commission income component that performed well in the Wealth Management segment. The contribution of the Corporate Banking Channel to total revenues came to Euro 195 million, decreasing by -0.9% vs. 2015, due to a -13.5% decrease in net interest income with fees and commissions up by 6%.

As regards costs, the Retail and Private Banking channels showed a +2.2% increase vs. 2015, a decrease in risk components, whereas operating expenses slightly increased by +5% vs. the previous year. The Corporate Banking channel also confirmed the significant downward trend of the cost of risk and achieved a decrease in total costs by -54%, but operating expenses increased by +11%.

Assets by segment mainly consisted of loans to Customers, property, plant and equipment and intangible assets that can be directly allocated to the operating segments. As at 31 December 2016, assets of the Retail and Private Banking channels amounted to Euro 18 billion, coming essentially in line with (+1.5%) vs. 31 December 2015. Assets of the Corporate Banking channel increased by +10.8%, coming to Euro 12.3 billion.

Liabilities by segment as point volumes consisted of direct funding from Customers, which can be directly allocated to the operating segments. Within this aggregate, funding relating to the Retail and Private Banking channels came to Euro 21.0 billion, slightly decreasing by -4.3% vs. 2015; the contribution of the Corporate Banking channel came to Euro 5.8 billion, slightly increasing by +6.2% vs. the previous year.

It is pointed out that unallocated assets and liabilities report the set of the inter-bank transactions, the covered bond issue, as well as other balance sheet aggregates, such as: unallocated property, plant and equipment/intangible assets, tax assets/liabilities, specific-purpose provisions and equity.

In accordance with IFRS 8, it is reported that the Bank's business operations are essentially carried out in the Italian national territory, they are not subject to periodic performance reporting to the management breaking down by foreign geographical area. The Bank has no customer that could allow the achievement of revenues for an amount exceeding 10% of total revenues recognized.

SEGMENT REPORTING AS AT 31 DECEMBER 2016

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	535,821	123,262	–46,682	612,401
Net fee and commission income	429,154	67,264	–2,510	493,908
Net profit (loss) on trading activities	3,558	4,625	1,579	9,762
Dividends	–	–	49,885	49,885
Other net operating income (item 90,100,190)	207,582	42	32,732	240,356
Total operating income	**1,176,115**	**195,193**	**35,004**	**1,406,312**
Losses on impairment of loans	–100,403	–46,378	–125	–146,906
Losses on impairment of AFS financial assets and other financial transactions	–	–	624	624
Personnel and administrative expenses and depreciation and amortization	–726,400	–41,866	–202,786	–971,052
Accruals to provisions for risks	–3,336	–6,028	–4,353	–13,717
Total costs	**–830,139**	**–94,272**	**–206,640**	**–1,131,051**
Profit (losses) on equity investments	10,760	603	–1,661	9,702
Impairment on goodwill	–	–	–	–
Profit on disposal of investments	–	–	–175	–175
Profit (loss) by segment	**356,736**	**101,524**	**–173,472**	**284,788**
Unallocated operating expenses	–	–	–	–
Operating margin	–	–	–	–
Share of profit of associates attributable to the Group	–	–	–	–
Net profit before taxes	**356,736**	**101,524**	**–173,472**	**284,788**
Taxes	–120,934	–34,416	75,584	–79,766
Profit for the year	**235,802**	**67,108**	**–97,888**	**205,022**
Assets and liabilities				–
Assets by segment	18,077,850	12,284,321	200,686	30,562,857
Equity investments in associates	–	–	1,311,391	1,311,391
Unallocated assets	–	–	12,249,974	12,249,974
Total assets	**18,077,850**	**12,284,321**	**13,762,051**	**44,124,222**
Liabilities by segment	21,077,022	5,827,068	645,563	27,549,653
Unallocated liabilities	–	–	11,626,935	11,626,935
Total liabilities	**21,077,022**	**5,827,068**	**12,272,498**	**39,176,588**

SEGMENT REPORTING AS AT 31 DECEMBER 2015

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	542,993	130,553	–5,135	668,411
Net fee and commission income	411,385	63,359	6,307	481,051
Net profit (loss) on trading activities	2,519	3,055	1,176	6,750
Dividends	–	–	43,974	43,974
Other net operating income (item 90,100,190)	209,514	45	51,706	261,265
Total operating income	**1,166,411**	**197,012**	**98,028**	**1,461,451**
Losses on impairment of loans	–114,831	–100,497	–871	–216,199
Losses on impairment of AFS financial assets and other financial transactions	–	–	–1,745	–1,745
Personnel and administrative expenses and depreciation and amortization	–691,392	–37,524	–204,026	–932,942
Accruals to provisions for risks	–6,421	–4,318	18	–10,721
Total costs	**–812,644**	**–142,339**	**–206,624**	**–1,161,607**
Profit (losses) on equity investments	11,110	516	–1,441	10,185
Impairment on goodwill	–	–	–	–
Profit on disposal of investments	–	–	–	–
Profit (loss) by segment	**364,877**	**55,189**	**–110,037**	**310,029**
Unallocated operating expenses	–	–	–	–
Operating margin	–	–	–	–
Share of profit of associates attributable to the Group	–	–	–	–
Net profit before taxes	**364,877**	**55,189**	**–110,037**	**310,029**
Taxes	–129,648	–19,610	55,730	–93,528
Profit for the year	**235,229**	**35,579**	**–54,307**	**216,501**
Assets and liabilities				–
Assets by segment	17,807,743	11,091,685	247,898	29,147,326
Equity investments in associates	–	–	1,310,009	1,310,009
Unallocated assets	–	–	11,515,210	11,515,210
Total assets	**17,807,743**	**11,091,685**	**13,073,117**	**41,972,545**
Liabilities by segment	22,028,680	5,487,421	702,602	28,218,703
Unallocated liabilities	–	–	8,979,780	8,979,780
Total liabilities	**22,028,680**	**5,487,421**	**9,682,382**	**37,198,483**

FINANCIAL STATEMENTS OF THE CONTROLLING COMPANY CRÉDIT AGRICOLE S.A.

Disclosure provided pursuant to Article 2497-bis of Italian Legislative Decree No.

ACTIF

	31.12.2015	31,12,2014
Opérations interbancaires et assimilées	**151,285**	**152,295**
Caisse. banques centrales	2,891	2,008
Effets publics et valeurs assimilées	24,351	24,847
Créances sur les établissements de crédit	124,043	125,440
Opérations internes au Crédit Agricole	**275,947**	**265,969**
Opérations avec la clientèle	**3,082**	**4,716**
Opérations sur titres	**36,152**	**37,256**
Obligations et autres titres à revenu fixe	36,142	37,246
Actions et autres titres à revenu variable	10	10
Valeurs immobilisées	**65,457**	**66,520**
Participations et autres titres détenus à long terme	7,413	7,597
Parts dans les entreprises liées	57,899	58,746
Immobilisations incorporelles	30	37
Immobilisations corporelles	115	140
Capital souscrit non versé	**–**	**–**
Actions propres	**45**	**48**
Comptes de régularisation et actifs divers	**29,824**	**33,157**
Autres actifs	7,842	6,740
Comptes de régularisation	21,982	26,417
TOTAL ACTIF	**561,791**	**559,961**

PASSIF

	31.12.2015	31,12,2014
Opérations interbancaires et assimilées	**95,181**	**93,425**
Banques centrales	3	1
Dettes envers les établissements de crédit	95,178	93,424
Opérations internes au Crédit Agricole	**45,523**	**41,667**
Comptes créditeurs de la clientèle	**230,655**	**225,918**
Dettes représentées par un titre	**87,273**	**94,210**
Comptes de régularisation et passifs divers	**31,467**	**36,645**
Autres passifs	7,984	8,458
Comptes de régularisation	23,483	28,187
Provisions et dettes subordonnées	**35,222**	**32,957**
Provisions	1,569	1,672
Dettes subordonnées	33,653	31,285
Fonds pour risques bancaires généraux	**1,040**	**1,005**
Capitaux propres hors FRBG	**35,430**	**34,134**
Capital souscrit	7,918	7,729
Primes d'émission	11,227	21,316
Réserves	12,605	1,947
Écart de réévaluation	–	–
Provisions réglementées et subventions d'investissement	26	28
Report à nouveau	2,208	2
Résultat de l'exercice	1,446	3,112
TOTAL PASSIF	**561,791**	**559,961**

HORS-BILAN DE CRÉDIT AGRICOLE S,A,

(en millions d'euros)	31.12.2015	31,12,2014
Engagements donnés	**36,782**	**34,264**
Engagements de financement	14,254	14,453
Engagements de garantie	22,528	19,807
Engagements sur titres	–	4

(en millions d'euros)	31.12.2015	31,12,2014
Engagements reçus	**51,104**	**58,397**
Engagements de financement	26,370	33,173
Engagements de garantie	24,734	25,224
Engagements sur titres	–	–

COMPTE DE RÉSULTAT DE CRÉDIT AGRICOLE S.A.

	31.12.2015	31,12,2014
Intérêts et produits assimilés	10,566	11,625
Intérêts et charges assimilées	(12,866)	(14,331)
Revenus des titres à revenu variable	4,014	4,750
Commissions (produits)	921	782
Commissions (charges)	(974)	(1,062)
Gains ou pertes sur opérations des portefeuilles de négociation	(146)	(116)
Gains ou pertes sur opérations des portefeuilles de placement et assimilés	356	564
Autres produits d’exploitation bancaire	80	79
Autres charges d’exploitation bancaire	(52)	(48)
Produit net bancaire	**1,899**	**2,243**
Charges générales d’exploitation	(735)	(672)
“Dotations aux amortissements et aux dépréciations sur immobilisations		
incorporelles et corporelles”	(15)	(13)
Résultat brut d’exploitation	**1,149**	**1,558**
Coût du risque	(220)	(115)
Résultat d’exploitation	**929**	**1,443**
Résultat net sur actifs immobilisés	(807)	198
Résultat courant avant impôt	**122**	**1,641**
Résultat exceptionnel	–	–
Impôt sur les bénéfices	1,357	1,509
Dotations/reprises de FRBG et provisions réglementées	(33)	(38)
RÉSULTAT NET DE L’EXERCICE	1,446	3,112

Disclosure of the fees for the audit of the accounts and of other services pursuant to Article 2427 paragraph 16-bis of the Italian Civil Code

FEES FOR:	31.12.2016
Statutory audit of annual accounts	466
Certification services	52
Other services	525
Total	1,043

Annexes

International accounting standards endorsed up to 31 December 2016

IAS/IFRS list		Endorsing EC Regulation
IFRS 1	IFRS 1 – First-time adoption of International Financial Reporting Standards	1136/2009 – 550/2010 – 574/2010 – 662/2010 – 149/2011 – 1205/2011 –1255/2012–183/2013–301/2013–313/2013 – 2343/2015– 2441/2015
IFRS 2	Share-based payments	1126/2008 – 1261/2008 – 495/2009 – 243/2010 – 244/2010 – 28/2015
IFRS 3	Business combinations	495/2009 – 149/2011 – 1361/2014 – 28/2015
IFRS 4	Insurance contracts	1126/2008 – 494/2009 – 1165/2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1126/2008 – 494/2009 – 243/2010 – 2343/2015
IFRS 6	Exploration for and Evaluation of Mineral Resources	1126/2008
IFRS 7	Financial Instruments: disclosures	1126/2008 – 70/2009 – 495/2009 – 824/2009 – 1165/2009 – 574/2010 – 149/2011 – 1205/2011 – 1256/2012– 2343/2015– 2406/2015
IFRS 8	Operating Segments	1126/2008 – 243/2010 – 632/2010 – 28/2015
IFRS 9	Financial Instruments	2067/2016
IFRS 10	Consolidated Financial Statements	1254/2012 – 313/2013 – 1174/2013 – 1703/2016
IFRS 11	Joint Arrangements	1254/2012 – 313/2013 – 2173/2015
IFRS 12	Disclosure of Interests in Other Entities.	1254/2012 – 313/2013 – 1174/2013 – 1703/2016
IFRS 13	Fair Value Measurement	1255/2012 – 1361/2014 – 28/2015
IFRS 15	Revenue from Contracts with Customers	1905/2016
IAS 1	Presentation of Financial Statements	1274/2008 – 53/2009 – 70/2009 – 494/2009 – 243/2010 – 149/2011 – 301/2013 – 2113/2015 – 2406/2015
IAS 2	Inventories	1126/2008 – 70/2009
IAS 7	Statement of Cash Flows	1126/2008 – 53/2009 – 70/2009 – 494/2009 – 243/2010
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1126/2008 – 70/2009
IAS 10	Events after the Reporting Period	1126/2008 – 70/2009 – 1142/2009
IAS 11	Construction Contracts	1126/2008
IAS 12	Income taxes	1126/2008 – 495/2009 – 1255/2012
IAS 16	Property, Plant and Equipment	1126/2008 – 70/2009 – 70/2009 – 495/2009 – 301/2013 –28/2015 –2113/2015– 2231/2015 –
IAS 17	Leases	1126/2008 – 243/2010 –2113/2015
IAS 18	Revenue	1126/2008 – 69/2009
IAS 19	Employee Benefits	1126/2008 – 70/2009 – 29/2015 – 2343/2015
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1126/2008 – 70/2009
IAS 21	The Effects of Changes in Foreign Exchange Rates	1126/2008 – 69/2009 – 494/2009 – 149/2011
IAS 23	Borrowing Costs	1260/2008 – 70/2009 – 2113/2015
IAS 24	Related Party Disclosures	1126/2008 – 632/2010 – 28/2015
IAS 26	Accounting and Reporting by Retirement Benefit Plans	1126/2008
IAS 27	Separate Financial Statements	494/2009 – 1254/2012 – 1174/2013 – 2441/2015
IAS 28	Investments in Associates and Joint Ventures.	1126/2008 – 70/2009 – 494/2009 – 495/2009 – 149/2011 – 1254/2012 –2441/2015 – 1703/2016
IAS 29	Financial Reporting in Hyperinflationary Economies	1126/2008 – 70/2009
IAS 31	Interests in Joint Ventures	1126/2008 – 70/2009 – 494/2009 – 149/2011
IAS 32	Financial Instruments: Presentation	1126/2008 – 53/2009 – 70/2009 – 494/2009 – 495/2009 – 1293/2009 149/2011 – 1256/2012 – 301/2013
IAS 33	Earnings Per Share	1126/2008 – 494/2009 – 495/2009
IAS 34	Interim Financial Reporting	1126/2008 – 70/2009 – 495/2009 – 149/2011 – 301/2013 – 2343/2015– 2406/2015
IAS 36	Impairment of Assets	1126/2008 – 69/2009 – 70/2009 – 495/2009 – 243/2010– 1174/2013 – 2113/2015
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1126/2008 – 495/2009

IAS/IFRS list		Endorsing EC Regulation
IAS 38	Intangible Assets	1126/2008 – 70/2009 – 495/2009 – 243/2010 – 28/2015 – 2231/2015
IAS 39	Financial Instruments: Recognition and Measurement (except for some provisions on hedging 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
IAS 40	Investment Property	1126/2008 – 70/2009 – 1361/2014 – 2113/2015
IAS 41	Agriculture	1126/2008 – 70/2009 – 2113/2015
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1126/2008
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments	1126/2008 – 301/2013
IFRIC 4	Determining whether an Arrangement contains a Lease	1126/2008 – 254/2009
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1126/2008 – 70/2009 – 1142/2009
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
IFRIC 8	Scope of IFRS 2	1126/2008
IFRIC 9	Reassessment of Embedded Derivatives	1126/2008 – 495/2009 – 1171/2009 – 243/2010
IFRIC 10	Interim Financial Reporting and Impairment	1126/2008
IFRIC 11	IFRS 2 – Group and Treasury Shares Transactions	1126/2008
IFRIC 12	Service Concession Arrangements	254/2009
IFRIC 13	Customer Loyalty Programmes	1262/2008 – 149/2011
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.	1263/2008 – 633/2010
IFRIC 15	Agreements for the Construction of Real Estate	636/2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	460/2009
IFRIC 17	Distributions of Non-cash Assets to Owners	1142/2009
IFRIC 18	Transfers of Assets from Customers	1164/2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	662/2010
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1255/02012
IFRIC 21	Levies	634/2014
SIC 7	Introduction of the Euro	1126/2008 – 494/2009
SIC 10	Government Assistance – No Specific Relation to Operating Activities	1126/2008
SIC 12	Consolidation – Special Purpose Entities	1126/2008
SIC 13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers	1126/2008
SIC 15	Operating Leases – Incentives	1126/2008
SIC 21	Income Taxes – Recovery of Revalued Non-depreciable Assets	1126/2008
SIC 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	1126/2008
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1126/2008
SIC 29	Service Concession Arrangements: Disclosures	1126/2008 – 254/2009
SIC 31	Revenues – Barter Transactions involving Advertising Services	1126/2008
SIC 32	Intangible Assets – Website Costs	1126/2008

List of International Accounting Standards whose coordinated text has been adopted with Commission Regulation (EC) No. 1126/2008 of 3 November 2008. The above Regulation was published in the Official Journal of the European Union issue No. L320 of 29 November 2008 and replaced Regulation (EC) No. 1725/2003.

The number and date of the EC Regulations endorsing the subsequent amendments and supplements are set forth next to the standards. Source EFRAG – The EU endorsement process – Status as at 17 February 2017

TAX INFORMATION ON RESERVES

Tax information on equity reserves

	Reserves and provisions that do not form part of Shareholders' income	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	2,693,560	42,444	–	–
Reserve – Contributions for share capital increase	–	–	–	–
Reserve pursuant to Art. 13 of It. Leg. D. 124/93 – Art. 13	–	314	–	–
Legal reserve	–	–	143,507	–
Extraordinary Reserve	–	–	861,253	–
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	–	–	12,319	–
Valuation reserve for other corridor elimination	–	–	–5,076	–
Reserve from valuation of financial assets available for sale	–	–	–	19,360
Reserve from actuarial valuation of defined-benefit plans	–	–	–	–24,709
Reserve from share-based payments	517	–	1,033	–
Reserve for free assignation of shares	–	–	1,240	–
Reserve from adjustment of transfer Purchase Price	–	–	605	–
Reserve for purchases of business units	–	–	–3,853	–
Reserve for disposal of business units	–	–	20,987	–
TOTAL	**2,694,077**	**42,758**	**934,364**	**–5,349**

Shareholders' equity: possible use and distributability (pursuant to Article 2427 – paragraph 7-bis)

Items of liabilities	Amount		Possible uses(*)	Distributable portion	Summary of uses in last three years	
					For loss coverage	For other reasons
Capital		876,762			–	–
Equity instruments		200,000			–	–
Share premium reserve		2,693,560		2,693,560	–	–
Share premium reserve taxable pursuant to Italian Law 266/2005		42,444	A, B (2), C (3)	42,444	–	–
Reserves		935,195			–	–
Legal reserve	143,507		A(1), B		–	–
Extraordinary Reserve	861,253		A, B, C	861,253	–	–
Reserve – Contributions for share capital increase	–		A		–	–
Reserve pursuant to Art. 13 of It. Leg. D. 124/93 – Article 13	314		A, B, C	314	–	–
Reserve from share-based payments	1,550		A, B, C	1,549	–	–
Reserve for free assignation of shares	1,240		A, B, C	1,240	–	–
Reserve from adjustment of transfer Purchase Price	605		A, B, C	605	–	–
Reserve for purchases of business units	–3,853		A, B, C	–3,853	–	–
Reserve for disposal of business units	20,987		A, B, C	20,987	–	–
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	12,319				–	–
Valuation reserve for other corridor elimination	–5,076				–	–
Valuation reserves		–5,349			–	–
Reserve from valuation of assets available for sale	19,360			–	–	–
Reserve from actuarial valuation of defined-benefit plans	–24,709			–	–	–
Profit for the year		205,022		–	–	–
Total		**4,947,634**		**3,618,099**	**–**	**–**

(*) 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.

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 Cariparma, setting forth the revaluation amount pursuant to Article 10 of Italian Law No. 72 of 19 March 1983.

Description	Book value net of revaluation	Law 11.2.62 No. 74	Law 19.2.73 No. 823	Law 2.12.75 No. 576	Law 19.3.83 No. 72	Law 30.7.90 No. 218	Law 29.12.90 No. 408	Law 30.12.91 No. 413	Merger '94	Total cost	Accumulated depreciation as at 31.12.2016	Net Book Value as at 31.12.2016
VIA UNIVERSITÀ. 1 – PARMA	1,865,522	0	510,263	195,089	2,039,910	6,708,770	0	428,631	0	11,748,186	2,652,849	9,095,337
VIA CAVESTRO. – PARMA	1,654,145	0	385,900	0	1,501,229	3,609,776	0	389,474	0	7,540,525	2,232,244	5,308,281
AGENZIA CITTÀ N.1 – PARMA	824,424	0	99,914	0	249,070	983,272	0	378,832	0	2,535,511	1,218,666	1,316,845
AGENZIA CITTÀ N.3 – PARMA	1,514,061	0	56,793	3,788	285,627	807,691	0	189,474	0	2,857,434	1,391,927	1,465,506
AGENZIA CITTÀ N.6 – PARMA	1,019,628	0	2,406	25,203	112,926	159,997	0	166,015	0	1,486,175	836,672	649,502
AGENZIA CITTÀ N.8 – PARMA	979,706	0	37	0	382,861	887,578	0	319,388	0	2,569,571	1,169,861	1,399,710
AGENZIA CITTÀ N.9 – PARMA	583,257	0	15,987	0	186,612	319,851	0	149,334	0	1,255,042	608,812	646,230
AGENZIA CITTÀ N.4 – PARMA	3,705,392	0	0	0	0	1,954,872	0	607,415	0	6,267,678	3,756,548	2,511,130
AGENZIA CITTÀ N.2 – PARMA	1,488,711	0	0	0	0	793,152	57,092	98,378	0	2,437,333	1,078,222	1,359,111
TALIGNANO	657,722	0	0	0	0	1,710,026	289,767	0	0	2,657,515	628,013	2,029,501
VIA SPEZIA C,S,C, – PARMA	33,450,003	0	0	0	0	22,894,280	42,608	3,957,751	0	60,344,641	31,783,184	28,561,458
PARMA – VIA SPEZIA –(PODERE MARTINELLA)	391,489	0	0	0	0	44,284	0	0	0	435,774	0	435,774
ALBARETO	179,826	0	0	0	0	64,005	0	22,958	0	266,788	177,052	89,736
BARDI	129,082	0	11,930	5,967	61,540	106,574	0	76,594	0	391,687	225,595	166,092
BASILICANOVA	311,857	0	0	0	57,102	167,520	13,316	147,621	0	697,417	312,122	385,294
BEDONIA – NUOVA SEDE	608,247	0	0	0	0	182,435	0	112,306	0	902,988	505,602	397,386
BERCETO	153,751	0	2,161	11,500	61,274	87,586	0	55,926	0	372,197	186,030	186,168
BORGOTARO	459,240	0	11,389	18,401	95,615	128,117	0	16,994	0	729,757	404,050	325,708
BUSSETO FILIALE	721,216	0	22,360	0	0	468,356	0	100,485	0	1,312,417	664,860	647,557
CALESTANO	50,358	0	9,321	1,911	47,801	94,609	0	17,398	0	221,398	113,199	108,199
COENZO	371,668	0	1,808	0	0	138,121	0	9,465	0	521,062	290,415	230,647
COLLECCHIO	2,085,605	0	0	0	0	288,117	0	191,196	0	2,564,918	1,205,688	1,359,230
COLORNO – NUOVA SEDE	955,612	0	0	0	0	786,454	0	108,667	0	1,850,732	905,319	945,413
CORNIGLIO	146,714	0	26,353	928	48,146	194,040	0	35,078	0	451,259	172,399	278,860
FIDENZA AGENZIA N,1	1,981,555	0	83,677	29,665	215,527	307,531	0	0	0	2,617,955	1,000,951	1,617,004
FIDENZA AGENZIA N,2	609,818	0	0	0	28,659	345,710	0	48,093	0	1,032,281	481,786	550,494
FONTANELLATO	740,138	0	29,897	0	111,655	379,247	0	15,582	0	1,276,519	599,613	676,906
FORNOVO TARO	1,196,227	0	8,156	19,437	0	198,065	0	14,142	0	1,436,027	699,838	736,189
LANGHIRANO	930,338	0	42,532	12,128	90,543	562,140	0	50,672	0	1,688,353	555,980	1,132,373
MEDESANO	215,047	0	18,132	9,531	108,953	219,782	0	40,468	0	611,912	257,848	354,065
MILANO	2,382,304	0	0	0	0	1,555,993	0	158,469	0	4,096,766	2,396,179	1,700,587
MONCHIO	43,829	0	1,143	5,726	59,171	90,515	0	10,666	0	211,050	110,393	100,657
NEVIANO ARDUINI	70,829	0	3,954	2,574	46,044	88,290	0	11,935	0	223,627	114,456	109,171
NOCETO – FILIALE	808,224	0	14,143	10,558	76,036	108,038	0	28,103	0	1,045,101	527,247	517,853
PALANZANO	70,340	0	974	8,767	46,594	122,582	0	13,092	0	262,349	139,152	123,197
PELLEGRINO – FILIALE	236,593	0	15,431	2,998	49,259	182,482	0	19,224	0	505,987	215,219	290,769
PIEVEOTTOVILLE	44,007	0	342	0	45,249	73,623	0	8,525	0	171,744	89,647	82,098
POLESINE	419,863	0	0	0	0	150,460	0	70,135	0	640,458	406,271	234,186
PONTETARO	748,441	0	19,513	3,367	66,243	93,310	26,289	116,981	0	1,074,143	512,697	561,446

Description	Book value net of revaluation	Law 11.2.62 No. 74	Law 19.2.73 No. 823	Law 2.12.75 No. 576	Law 19.3.83 No. 72	Law 30.7.90 No. 218	Law 29.12.90 No. 408	Law 30.12.91 No. 413	Merger '94	Total cost	Accumulated depreciation as at 31.12.2016	Net Book Value as at 31.12.2016
VIA MARTIRI LIBERTÀ 35 – MONTICELL	471,752	0	0	0	0	0	0	69,145	0	540,897	288,561	252,336
PIAZZA INZANI – MORFASSO	189,384	0	0	0	0	0	0	49,730	0	239,113	189,188	49,925
PIAZZA VITTORIA 25 – OTTONE	58,894	0	0	0	15,494	33,085	0	7,709	0	115,182	51,135	64,047
LARGO DAL VERME 3 – PIANELLO VAL TI	461,383	0	0	0	0	60,751	0	9,449	0	531,582	217,802	313,780
VIA MONTE GRAPPA 49 – PODENZANO	481,875	0	0	0	67,139	115,376	0	70,923	0	735,313	366,028	369,285
VIA VITTORIO VENETO 90 – PONTE DELL	499,155	0	0	0	0	172,170	0	99,830	0	771,155	354,956	416,199
PIAZZA TRE MARTIRI 11 – PONTENURE	713,718	0	0	0	0	0	0	68,083	0	781,802	438,828	342,974
VIA EMILIA EST 33 – ROTTOFRENO	47,391	0	0	0	56,810	61,128	0	24,581	0	189,910	104,875	85,035
VIA ANGUISSOLA 4 – TRAVO	255,953	0	0	0	0	1,640	0	38,548	0	296,141	141,680	154,460
VIA MORO 4 – VILLANOVA SULL'ARDA	393,424	0	0	0	0	57,044	0	71,327	0	521,795	204,308	317,486
VIA ZIANO 9 – VICOBARONE DI ZIANO P	48,378	0	0	0	15,494	14,084	0	8,451	0	86,408	51,237	35,170
VIA ROMA 175 – ZIANO PIACENTINO	69,449	0	0	0	20,658	45,381	0	8,838	0	144,327	70,291	74,036
VIA POGGIALI 18 – PIACENZA	4,167,636	0	0	769,851	1,567,362	5,788,954	0	1,952,811	0	14,246,614	4,988,199	9,258,415
VIA COLOMBO 101 – PIACENZA	1,188,141	0	0	0	0	195,554	0	196,597	0	1,580,293	762,792	817,500
VIALE DANTE ALIGHIERI 14 – PIACENZA	1,639,173	0	0	0	0	426,870	0	215,624	0	2,281,667	1,075,996	1,205,671
PIAZZA CAIROLI 3 – CODOGNO	1,244,021	0	0	0	0	171,309	0	217,624	0	1,632,954	1,044,955	587,999
CORSO MILANO 65 – VIGEVANO	260,099	0	0	7,230	0	163,008	0	17,382	0	447,720	206,819	240,901
PIAZZA VOLTA 4 – VIGEVANO	351,224	0	0	15,494	0	270,714	0	11,718	0	649,150	211,957	437,193
PIAZZA DUCALE 43 – VIGEVANO	1,827,905	0	0	129,114	1,077,258	1,004,817	0	417,537	0	4,456,631	1,294,278	3,162,353
VIA LAVATELLI 32 – CASSOLNOVO	402,239	0	0	10,329	0	91,583	0	21,130	0	525,281	204,777	320,504
VIA COTTA 2 – GAMBOLO'	416,272	0	0	10,329	0	94,165	0	4,474	0	525,240	251,023	274,216
VIA XXV APRILE 17 – PARONA	141,905	0	0	0	0	75,689	0	12,941	0	230,535	91,364	139,170
PIAZZA CAMPEGI 2 – TROMELLO	452,983	0	0	0	0	78,092	0	17,078	0	548,152	179,580	368,572
VIALE CAMPARI 12 – PAVIA	660,928	0	0	0	0	22,047	0	32,726	0	715,700	392,795	322,905
VALENZA	360,598	0	0	55,996	250,688	0	0	90,441	853,142	1,610,864	834,762	776,102
VINOVO	509,957	0	0	0	0	0	0	20,734	148,416	679,107	336,449	342,659
VIA ARMORARI 4 – MILANO	6,486,006	0	1,313,331	0	7,266,549	0	0	19,847,235	7,308,423	42,221,543	10,808,934	31,412,608
VIA ARMORARI 8 – MILANO	3,584,550	0	0	0	0	0	0	7,164,345	5,498,307	16,247,202	4,245,612	12,001,590
VIA FARINI 82 – MILANO	2,715,312	0	0	0	0	0	0	932,758	278,224	3,926,293	2,967,645	958,648
P.ZZA FRATTINI 19 – MILANO	613,149	0	81,632	0	371,849	0	0	543,908	268,264	1,878,803	1,088,543	790,259
VIA MUSSI 4 – MILANO	561,546	0	92,969	0	291,282	0	0	439,674	275,121	1,660,592	957,186	703,406
VIA PISTRUCCI 25 – MILANO	706,384	0	41,673	0	127,048	0	0	258,173	351,453	1,484,732	741,201	743,531
VIA RIPAMONTI 177 – MILANO	572,057	0	103,421	0	335,697	0	0	381,513	161,503	1,554,191	939,544	614,646
P.ZZA VELASCA 4 – MILANO	590,720	0	191,991	0	192,122	0	0	433,140	889,114	2,297,086	1,333,165	963,921
CORSO MAZZINI 2 – CREMONA	1,754,961	25,087	350,772	0	2,076,157	0	0	1,870,791	803,837	6,881,606	2,881,592	4,000,013
VIA CAVOUR 40/42 – CASALMAGGIORE	274,264	2,359	22,273	0	0	0	0	36,030	292,244	627,170	280,680	346,489
P.ZZA MUNICIPIO 3-9-11 – CASTELVERD	59,476	0	5,526	0	0	0	0	17,998	94,559	177,558	95,095	82,463
VIA GIUSEPPINA 152 – CINGIA DE'BOTT	9,619	429	5,941	0	0	0	0	12,612	74,914	103,516	60,865	42,651
P.ZZA VITT.VENETO 4 – 6 – CORTE DE'	138,546	0	713	0	0	0	0	7,370	47,582	194,210	79,404	114,806
VIA MAZZINI 8 – GRUMELLO CREMONESE	156,931	59	2,644	0	0	0	0	9,162	66,174	234,970	78,427	156,543
VIA ROMA 8 – GUSSOLA	57,627	0	7,753	0	0	0	0	58,355	51,318	175,052	115,909	59,143
VIA ROMA 1 – PIEVE D'OLMI	16,523	0	12,488	0	0	0	0	21,534	48,712	99,258	61,102	38,156
LARGO DELLA VITTORIA 7 – PIZZIGHETT	459,710	0	0	0	178,694	0	0	99,878	20,092	758,374	398,692	359,682
VIA DELLA LIBERTÀ 10-16 – RIVAROLO	385,352	0	1,600	0	0	0	0	90,021	14,886	491,859	359,417	132,442

Description	Book value net of revaluation	Law 11.2.62 No. 74	Law 19.2.73 No. 823	Law 2.12.75 No. 576	Law 19.3.83 No. 72	Law 30.7.90 No. 218	Law 29.12.90 No. 408	Law 30.12.91 No. 413	Merger '94	Total cost	Accumulated depreciation as at 31.12.2016	Net Book Value as at 31.12.2016
VIA MARTIRI LIBERTÀ 48–50 – ROBECC	128,123	948	8,786	0	0	0	0	15,957	81,443	235,257	75,857	159,400
VIA GIUSEPPINA 15–17 – S,GIOVANNI I	639,232	664	3,813	0	0	0	0	11,034	54,843	709,585	325,075	384,511
V,LE G,MATTEOTTI 6–8 – SESTO CREMON	106,338	508	3,370	0	0	0	0	12,890	76,972	200,079	85,585	114,494
VIA GARIBALDI 2 – VESCOVATO	19,949	51	12,911	0	0	0	0	18,956	106,168	158,035	88,957	69,078
VIA MARSALA 18 – LODI	680,930	4,127	113,691	0	0	0	0	259,762	1,051,150	2,109,661	1,119,794	989,866
LARGO CASALI 31 – CASALPUSTERLENGO	796,097	0	0	0	211,740	0	0	409,979	266,529	1,684,344	1,142,935	541,409
VIA ROMA 5 – S,GIULIANO MILANESE	758,927	0	43,900	0	232,406	0	0	369,534	73,368	1,478,135	783,845	694,291
P,ZZA DEI CADUTI 10 – SANT'ANGELO L	724,997	1,411	13,012	0	0	0	0	66,702	8,769	814,890	374,169	440,721
VIA I, NIEVO 18/VIA OBERDAN – MANTO	4,644,628	0	0	0	0	0	0	1,560,197	321,766	6,526,591	5,369,405	1,157,186
P,ZZA XX SETTEMBRE 23 – ASOLA	340,960	1,501	19,641	0	0	0	0	66,395	227,909	656,407	240,470	415,937
VIA G, MATTEOTTI 18 – CASTELLUCCHIO	649,682	0	0	0	0	0	0	226,505	49,464	925,652	654,824	270,828
VIA XXV APRILE 1 – MARMIROLO	163,414	0	10,252	0	0	0	0	78,068	61,702	313,435	191,653	121,782
VIA PIAVE 18–20 – OSTIGLIA	97,295	0	0	0	0	0	0	54,938	77,867	230,101	134,411	95,690
VIA CUSTOZA 124 – ROVERBELLA	191,438	0	14,949	0	0	0	0	22,589	155,423	384,400	152,170	232,230
P,ZZA DEL LINO 4 – PAVIA	1,122,034	3,079	92,263	0	481,035	0	0	941,760	217,178	2,857,349	1,994,156	863,193
VIA VITT,VENETO 2 – BELGIOIOSO	177,132	1,151	11,204	0	0	0	0	21,180	229,336	440,002	196,441	243,561
VIA EMILIA 371 – BRONI	867,672	0	0	0	328,983	0	0	300,316	50,149	1,547,119	936,505	610,614
V,LE CERTOSA 78 – CERTOSA DI PAVIA	495,776	0	4,692	0	120,851	0	0	82,275	28,618	732,212	311,732	420,481
VIA CARDINAL MAFFI 2 – CORTEOLONA	47,714	0	9,608	0	0	0	0	20,950	74,440	152,711	88,527	64,184
VIA ROMA 24 – PIEVE PORTO MORONE	159,526	0	0	0	0	0	0	53,937	84,966	298,429	160,140	138,289
VIA G, MATTEOTTI 26/28 – CREMA	757,610	4,822	56,297	0	298,140	0	0	628,944	257,319	2,003,132	1,093,898	909,234
P,ZZA GARIBALDI 3 – ANNICCO	114,986	1,176	3,176	0	0	0	0	52,652	67,277	239,269	123,008	116,260
P,ZZA DELLA LIBERTÀ 21 – CASALBUTT	76,957	506	31,536	0	0	0	0	57,722	100,940	267,661	154,964	112,697
P,ZZA DELLA LIBERTÀ 6 – PADERNO PO	60,910	0	4,106	0	0	0	0	14,653	84,481	164,150	86,152	77,998
VIA MILANO 20–22 – PANDINO	336,812	1,731	27,915	0	0	0	0	66,462	159,407	592,326	196,405	395,921
VIA G, VEZZOLI 2 – ROMANENGO	760,174	795	12,932	0	0	0	0	21,601	110,278	905,780	293,348	612,432
VIA F, GENALA 17 – SORESINA	246,545	830	35,251	0	0	0	0	97,091	382,504	762,222	409,529	352,693
VIA ROMA 73 – TRIGOLO	80,678	129	8,539	0	0	0	0	14,433	61,857	165,635	70,498	95,137
IFIC– ASILO NIDO AZIENDALE–C/O CAVAGNARI	2,330,007	0	0	0	0	271,083	0	48,005	0	2,649,095	374,984	2,274,111
Total assets revalued	149,574,480	51,365	4,815,451	1,903,488	26,058,963	62,720,448	5,267,368	55,485,932	22,068,408	327,945,902	144,689,493	183,256,408

Description	Book value net of revaluation	Law 11.2.62 No. 74	Law 19.2.73 No. 823	Law 2.12.75 No. 576	Law 19.3.83 No. 72	Law 30.7.90 No. 218	Law 29.12.90 No. 408	Law 30.12.91 No. 413	Merger '94	Merger '97	Total cost	Accumulated Depreciation as at 31.12.2016	Net Book Value as at 31.12.2016
FURNITURE AND FURNISHINGS	42,440	0	3,414	18,701	0	0	0	0	0	0	64,555	64,555	0
EQUIPMENT	136,294	0	1,584	10,554	0	0	0	0	0	0	148,432	148,432	0

EQUITY INVESTMENTS AND ASSETS AVAILABLE FOR SALE	Book value net of revaluations	Law 30.7.90 No. 218	Impairment	Measurement of equity investments /AFS	Total cost	Net book value as at 31.12.2016
BANCA POPOLARE FRIULADRIA SPA	1,013,265,861	–	– 108,158,006	–	905,107,855	905,107,855
CREDIT AGRICOLE GROUP SOLUTIONS	34,672,000.00	–	–	–	34,672,000	34,672,000
CALIT SRL	123,350,000	–	– 47,133,000	–	76,217,000	76,217,000
MONDOMUTUI CARIPARMA S,R,L,	2,280	–	–	–	2,280	2,280
CASSA DI RISPARMIO DELLA SPEZIA	295,376,055	–	–	–	295,376,055	295,376,055
CRÉDIT AGRICOLE ITALIA OBG S,R,L,	6,000	–	–	–	6,000	6,000
SLIDERS S,R,L,	130,000	–	– 130,000	–	–	–
ITALSTOCK SRL	10,000	–	–	–	10,000	10,000
ALMA SCUOLA CUCINA	120,556	–	–	34,961	155,517	155,517
BANCA D'ITALIA	152,350,000	–	–	–	152,350,000	152,350,000
CE,P,I,M, SPA	801,542	– 44,831	–	790,920	1,547,631	1,547,632
CENTRO AGRO–ALIMENTARE DI PARMA S,R,L,	619,748	– 9,296	– 610,452	–	–	–
CENTRO RICERCA E FORMAZIONE (SOCRIS)	–	–	–	–	–	–
CONS, AGRARIO PROVINCIALE PAVIA SRL	–	–	–	–	–	–
CONS, AGRARIO PROVINCIALE PIACENZA SCRL	26	427	– 453	–	–	–
CONSORZIO AGRARIO PROVINCIALE DI PARMA	84,915	487,535	– 572,450	–	–	–
CUKI GROUP	1	–	–	–	1	1
FIDI TOSCANA	226,616	–	–	– 6,990	219,626	219,626
FIERE DI PARMA SPA	10,455,261	– 416,050	–	1,083,847	11,123,058	11,123,058
IMPIANTI SRL	–	–	–	–	–	–
PIACENZA EXPO SPA (EX SO,PR,A,E, SPA)	1,324,405	94,063	– 422,165		996,303	996,303
S,W,I,F,T, SC	148,560	971	–	32,259	181,790	181,790
SO,GE,A,P, AEROPORTO DI PARMA SOCIETÀ PER LA GESTIONE S,P,A,	236,125	– 38,911	– 96,955	–	100,259	100,259
SOCIETÀ PROV,LE INSEDIAMENTI PROD, SPA – SO,PR,I,P,	225,002	1,033	– 226,035	–	–	–
STELLINA 10	1,900	–	–	–	1,900	1,900
VISA EUROPE LIMITED	–	–	–	–	–	–
WILDSIDE S,R,L, SHS	1,500,000	–	–	–	1,500,000	1,500,000
CA FIDUCIARIA S,P,A,	400,000	–	–	–	400,000	400,000
UNIPOLSAI ORD RA	15,445,574	–	–	– 2,145,128	13,300,446	13,300,446
CATTLEYA S,R,L,	2,500,000	–	–	–	2,500,000	2,500,000
COOPERARE	1,119,806	–	–	49,924	1,169,730	1,169,730
SCHEMA VOLONTARIO	6,297,789	–	–	–	6,297,789	6,297,789
TARGETTI POULSEN SFPA	184,628	–	–	–	184,628	184,628
TARGETTI POULSEN SFPB	17,603	–	–	–	17,603	17,603
TARGETTI SANKEY NUOVI SFP	2	–	–	–	2	2
TOTAL EQUITY INVESTMENTS AND ASSETS AVAILABLE FOR SALE	**1,660,872,255**	**74,941**	**– 157,349,516**	**– 160,207**	**1,503,437,473**	**1,503,437,474**

CONTACT

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Share Capital € 876,761,620.00 fully paid up
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Member of the Interbank Deposit Protection Fund and of National Guarantee Fund
Registered in the Register of Banks at no. 5435
Parent Company of the Cariparma Crédit Agricole banking Group entered in the Register of banking Groups
Subject to the direction and coordination activity of Crédit Agricole S.A.

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