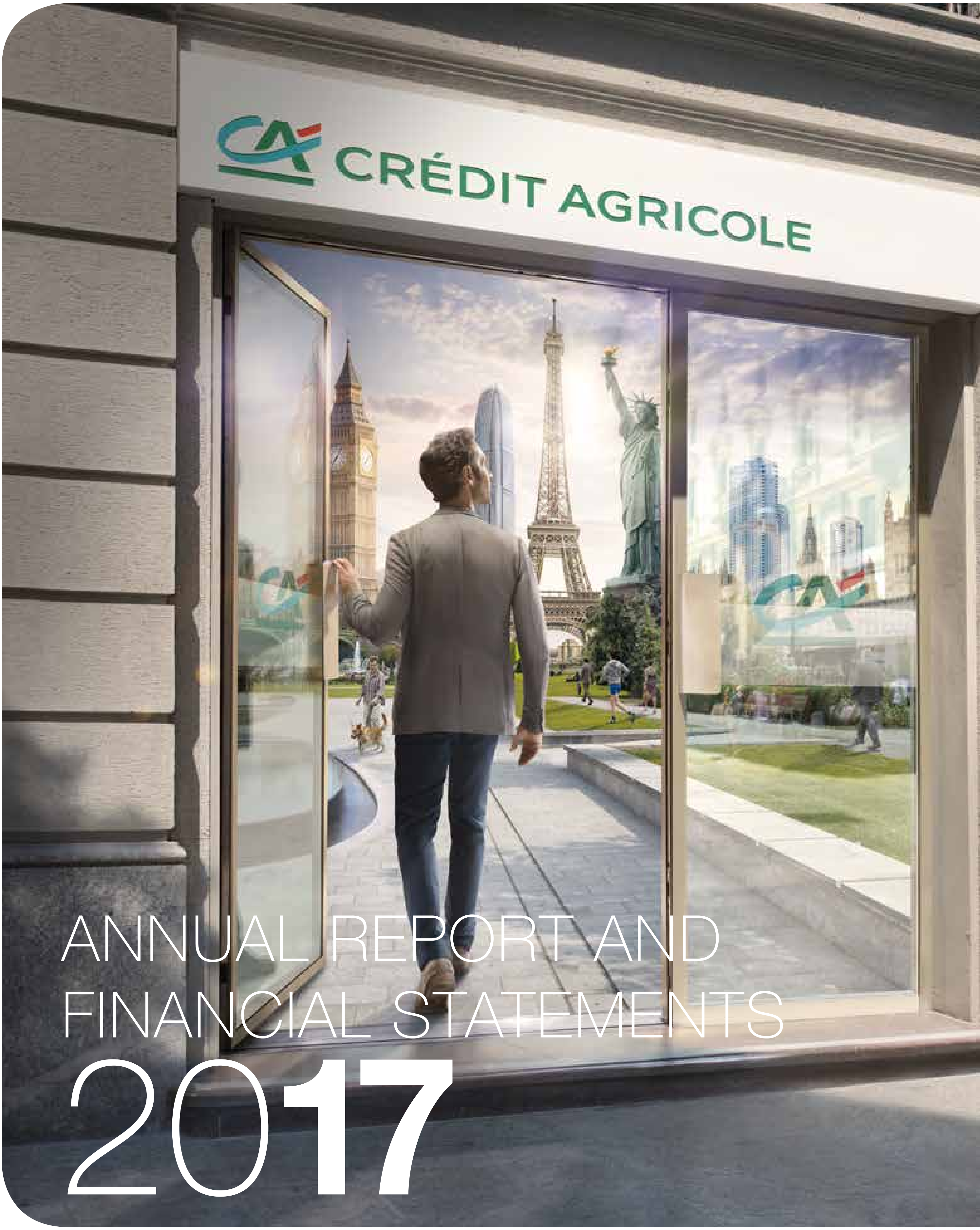

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

CRÉDIT AGRICOLE
CARIPARMA | FRIULADRIA | CARISPEZIA

Crédit Agricole Italia Banking Group

Annual Report and Financial Statements

2017

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Letter from the Chairman

Thanks to the structural reforms Undertaken and to the recovery in the domestic market, in 2017 the Italian economy returned to growth. Evidence of economic growth came from the main macroeconomic indicators, such as industrial output, exports, the employment rate and income of households. In 2017, all these factors contributed to a +1.6% increase in the GDP, which is evidence of acceleration in growth (the highest in the last 7 years) with positive performances exceeding expectations in all sectors of the economy.

As regards the banking sector, the resolution of crises and the industry strengthening have contributed to recovering confidence in the system, evidence of which is also the good performance of Italian bank stocks. Some weaknesses remain but do not seem to jeopardize the stability of the system. At the end of the year, performance showed positive signs, with return to profitability and intermediated assets on the increase.

The economic recovery has contributed to the improvement in lending to households and businesses, decreasing insolvency risks and improving credit quality. The strong decrease in interest rates has led to a new composition of banks' revenues with progressive increase in services and in fees and commission income.

In an overall favourable scenario for the Italian economy, at the end of the 2017 FY the Crédit Agricole Italia Banking Group reported statutory net income coming to Euro 690 million vs. Euro 208 million in 2016. This performance was affected by non-recurring components, such as badwill and expenses for the integration of the 3 newly-acquired Savings Banks: Cassa di Risparmio Cesena, Cassa di Risparmio Rimini and Cassa di Risparmio San Miniato, net of which the operating profit came to Euro 250 million, net of the aforementioned non-recurring components. Once again the Group proved able to constantly generate profitability. Its capital structure and liquidity ratios remained at more than satisfying levels.

This performance was achieved also thanks to the strong momentum in commercial operations, with over 120 thousand new Customers, and to a strategy essentially based on three pillars: continuous support to households, with home loans increasing by over +9% and consumer credit intermediated assets up by 35%; support to the economy with loans to businesses up by +3.5%, with specific focus on the segments that are key for the Group, such as Agri-Food; development in asset management with an increase in products placed (up by +17%) driven also by Individual Saving Plans (PIR) and by the increasing contribution given by the Financial Advisors network.

These results contributed to the excellent performance of the set of Crédit Agricole entities in Italy, which reported aggregated net income of Euro 733 million, increasing by 14.7% vs. 2016.

Subsequent to the acquisition of Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato, finalized on 21 December 2017, the Banking Group has now over 2 million Customers, has increased its market share and strengthened its operations in Regions that are key for the economy and have strong manufacturing and agri-food vocation, acquiring over 200 branches and Euro 18 billion worth of assets.

Consistently with the objectives of the "Ambizione Italia 2020" Medium Term Plan, investments for over Euro 250 million have been made since 2016. In addition to the evolution of digital and multichannel tools, which has generated an increase in services available to Customers, the Banking Group has focused on the strengthening and enhancement of its human resources. A course of action that has resulted in the recruitment of 328 new colleagues and in training programmes and initiatives aimed at improving the work-life balance, such as smart working. On top of all this, work places have been renovated with important real estate projects of international standing currently being completed, such as the new "Crédit Agricole Green Life" Management Headquarters in Parma, the renovation of the Milan Headquarters and the new HQ in Rome.

Belonging to a leading international Group, considerable investments, good performances achieved and the stronger and stronger cooperation and synergies with all Crédit Agricole entities in Italy are the foundations based on which our Banking Group has become a leading player in the Italian banking sector. It is one of the most important entities which the economic, social and productive fabric of our Country will always be able to rely on.

The Chairman
Ariberto Fassati

Corporate Officers and Independent Auditors

Board of Directors

CHAIRMAN

Ariberto Fassati

DEPUTY-CHAIRMAN

Xavier Musca

Fabrizio Pezzani(*)

CHIEF EXECUTIVE OFFICER

Giampiero Maioli(*)

DIRECTORS

Gian Domenico Auricchio(*)

Alberto Bertoli(°)

Evelina Christillin(°)

Jacques Ducerf

Daniel Epron

Alberto Figna(°)

Nicolas Langevin

Michel Mathieu

François-Edouard Drion(*)

Thierry Pomaret(*)

Annalisa Sassi(°)

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

Board of Auditors

CHAIRMAN

Paolo Alinovi

STANDING AUDITORS

Luigi Capitani

Maria Ludovica Giovanardi

Stefano Lottici

Germano Montanari

ALTERNATE AUDITORS

Alberto Cacciani

Roberto Perlini

General Management

DEPUTY GENERAL MANAGER FOR RETAIL BANKING

Roberto Ghisellini

DEPUTY GENERAL MANAGER FOR CORPORATE BANKING

Olivier Guilhamon

MANAGER IN CHARGE OF THE PREPARATION OF CORPORATE ACCOUNTING DOCUMENTS

Pierre Débourdeaux

INDEPENDENT AUDITORS

EY S.p.A.

Key figures of the Crédit Agricole Italia Banking Group

Income Statement data *(thousands of Euro)*	**2017**	**2016**	**2015**
Net operating revenues	1,711,188	1,712,290	1,772,894
Operating margin	666,172	651,755	765,106
Net profit (loss)	690,240	208,124	220,636

Balance Sheet data *(thousands of Euro)*	**2017**	**2016**	**2015**
Loans to Customers	44,251,456	38,209,279	36,462,501
Funding from Customers	50,358,320	39,892,679	38,999,585
Indirect funding from Customers	64,172,911	64,892,521	60,198,338

Operating structure	**2017**	**2016**	**2015**
Number of employees	10,271	8,268	8,197
Number of branches	1,015	815	834

Profitability, efficiency and credit quality ratios	**2017**	**2016**	**2015**
Cost(°)/income ratio	57.6%	56.3%	54.5%
Net income/Average equity (ROE)	4.6%	4.2%	4.6%
Net income/Average Tangible Equity (ROTE)	7.2%	6.7%	7.5%
Net non-performing loans/Net loans to Customers	7.6%	7.6%	8.4%
Total adjustments of non-performing loans/Gross non-performing loans	44.9%	42.2%	40.5%

Capital ratios	**2017**	**2016**	**2015**
Common Equity Tier 1 ratio	11.6%	11.4%	11.4%
Tier 1 ratio	12.8%	11.8%	11.4%
Total capital ratio	15.1%	13.3%	13.5%

(°) Ratio calculated excluding ordinary and extraordinary contributions to support the banking system

Significant events

FEBRUARY

For the ninth year in a row, the Crédit Agricole Cariparma Banking Group was awarded the Top Employers Italia official certification for the excellent work conditions it provides its employees with; 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.

Within the "Cerchio d'Oro dell'Innovazione Finanziaria" financial innovation prize, the Crédit Agricole Italia Banking Group was awarded two Special Mentions in the "Payment products and services" and "Lending products and services" categories. The prize winners were BankMeApp, the new app dedicated to teenagers and their families for shared management of expenses and small savings, and Mutuo Adesso, the website entirely dedicated to real estate loans.

The Crédit Agricole Italia Banking Group was awarded the Family Audit certification; Family Audit is a managerial tool promoting the implementation of staff management policies aimed at the wellbeing of employees and their families. This certification is awarded to organizations that are committed to designing and implementing a "Conciliation Activity Plan", such as than implemented by our Group within the Artemisia Project.

Crédit Agricole Cariparma was the main sponsor of two important cultural events: "Guercino a Piacenza" ("Guercino in Piacenza") and "Manet e la Parigi moderna" ("Manet and modern Paris").

MARCH

Crédit Agricole Cariparma successfully issued its new Covered Bonds.
The Covered Bonds were put on the market on a dual-tranche basis, at 8 and 12 years; the outcome of the transaction, which had a total value of Euro 1.5 billion, proved once again that the Group is highly appreciated by investors.

The Crédit Agricole Italia Banking Group won the 2017 Innovation Prize awarded by the Italian Banking Association (ABI) , in the category "Innovation for Retail Customers: the bank for households and young people" thanks to BankMeApp.

APRIL

The Smart Working project started as an integral part of the "Ambizione Italia 2020" Medium Term Plan, with which the Group puts in practice its commitment to finding solutions for its employees' work-life balance.

JUNE

Crédit Agricole won 5 prizes within the Milano Finanza Global Awards, given to Agos, to the Crédit Agricole Italia Banking Group and to Crédit Agricole Carispezia: good evidence of the role that the Group plays in the Italian banking and economic field, and also evidence of the importance of the synergies developed by and between the various Crédit Agricole entities.

The Crédit Agricole Italia Banking Group extended its service model with a new commercial channel, namely a network of over 100 financial advisors operating on 10 different markets and providing Customers with advanced full-range financial advisory services.

Crédit Agricole Cariparma opened its first City Branch. The Branch on Via Armorari in Milan transformed and became the first result of a project for the evolution of the branch concept: a multichannel experiences in terms of service and product exploration for Customers that will be able to enjoy high entertainment and digitalization, thanks to multimedia, videos, simulators and regular meetings on current topics.

JULY

Crédit Agricole Leasing Italia presents home leases for principal residence. Tax benefits for young people and for those who cannot buy a home in other ways.

OCTOBER

The Crédit Agricole Italia Banking Group launched a media campaign to enhance brand awareness and its new positioning, with a new payoff "Una grande banca, tutta per te" ("A great big bank, all for you"):
• A big international strong and reliable bank, part of the Crédit Agricole Group
• A banking group whose priorities include customer centrality, the enhancement of the communities it operates in and customer satisfaction, aiming at being accessible, innovative and able to provide more certainties in life and for the projects of households and businesses

Crédit Agricole Cariparma won the AIFIn "CSR Award" in the banks category and received a honourable mention for financial education thanks to BankMeApp.

NOVEMBER

Within the "Future Bancassurance Awards", the Group won the prize "For innovation in the Multimanager scheme of Strategia PIR and Multi Pir Private products". This prize acknowledges the quality of the two Individual Saving Plans (Italian acronym PIR) recently launched by CA Vita, dedicated to the Retail and Private Banking segments and distributed by the Group's Banks.

DECEMBER

Crédit Agricole Cariparma made a new successful issue of Covered Bonds, for a total amount of Euro 750 million and with 8-year duration.

The Crédit Agricole Italia Banking Group was awarded the "Premio dei Premi" (the prize of prizes), a yearly event rewarding the best innovation projects in the banking, manufacturing, service, university, public administration and tertiary sectors. Specifically, the prize was awarded for BankMeApp, the app for teenagers and their families.

Crédit Agricole Cariparma finalized the acquisition of the majority shareholding in Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato.

THE CRÉDIT AGRICOLE GROUP
WORLDWIDE

1st BANCASSURER IN EUROPE

1st ASSET MANAGER IN EUROPE

139,000 EMPLOYEES

52Mln CUSTOMERS WORLDWIDE

THE CRÉDIT AGRICOLE GROUP IN ITALY

3.1 Bln€

REVENUES*

257 Bln€

CUSTOMERS' DEPOSITS AND FUNDS UNDER MANAGEMENT**

64 Bln€

LOANS TO THE ITALIAN ECONOMY*

OVER 14,000

STAFF

4 Mln

CUSTOMERS IN ITALY

* FCA Bank considered at 25% for all its operations; integration of Pioneer Investments since 3 July 2017 and of CR Rimini, CR Cesena and CR San Miniato since 21 December 2017

** Including "out-of-Group" Amundi AuM, CACEIS Assets under Custody, and CR Rimini, CR Cesena and CR San Miniato direct and indirect funding

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, operates in the 11 Italian Regions that account for 73% of the population and generate 80% 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 BANKING
with 1,010 branches and 49 Small Business centers

PRIVATE BANKING
with 22 markets and 12 sub-centers

CORPORATE BANKING
with 21 markets and 14 sub-centers
1 Large Corporate Area

FINANCIAL ADVISORS
with 9 markets

Listening to Customers, trust, confidence, social responsibility, innovation, internationality and quality: These are the Group's driving values:

- **Quality of its relations** with Customers as a key value conveyed through a system ensuring that Customers are constantly **listened to** and focused on, combined with high-level service
- **Social responsibility** as an integral part of its **corporate culture**
- Innovation as **new digital services** that allow Customers to make transactions also remotely and that supplement direct relations without replacing them
- Highly-specialized **dedicated services:**
  - ✓ **Investment advisory services combined with digital services,** in order to meet the expectations of advanced Customers through the Financial Advisors and Private Bankers Network
  - ✓ A **complete service model for the Large Corporate segment**, thanks to innovative payment services, to the International Desk service that assists small and medium enterprises in their international development, and to the considerable commercial **synergies** with the other Companies of the Crédit Agricole Italia Group
  - ✓ A full range of products and specialist advisory services for the **agri-food sector**
  - ✓ A new service model dedicated to **small businesses** with teams of advisors for thorough coverage of the areas of operations.

Its belonging to a sound international group such as Crédit Agricole strengthens **the soundness of the Crédit Agricole Italia Banking Group** that proved once again a leading player in the Italian banking system.

CAPITAL STRENGTH AS AT 31 DECEMBER 2017: CET 1 11.6% (TOTAL CAPITAL RATIO 15.1%)

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.

610	29.8 Bln€	81.4 Bln€
points of sale	worth of loans	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.**

206	7.2 Bln€	15.5 Bln€
points of sale	worth of loans	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.

100	2.7 Bln€	6.8 Bln€
points of sale	worth of loans	worth of total funding

CRÉDIT AGRICOLE LEASING

Crédit Agricole Leasing operates in the property, equipment, vehicle and energy leasing segments. **At the end of 2017, the 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.

On **21 December 2017**, Crédit Agricole Cariparma finalized the purchase from the Italian Interbank Deposit Protection Fund – Voluntary Scheme of 95.3% the share capitals of **Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A.** (hereinafter the "Banks").
This acquisition allows **depositors to be protected, jobs to be retained and the Banks to be enhanced**, since they will benefit from being integrated into a strong and international banking group, with significant positive externalities on the economy of the communities of operations and on the interests of the various stakeholders.
Indeed, the three Banks are cornerstones in their communities: the plan for the Banks' integration aims at **enhancing their distribution networks inside the Group**, leveraging on their strong bond with their communities, also by **developing their Human Resources.**

This transactions stands on sound strategic reasons for the Group that will:

DEVELOP
Its Customer-focused Proximity Bank Model

GROW
In long-standing areas of operations with high potential

INCREASE
in "size" and become more competitive

MAXIMIZE
Industrial synergies

The Group has also **prepared a 2017-2020 forward-looking plan aimed at ensuring that the three Banks reach adequate profitability**, by improving the cost of credit and by generating synergies.

CASSA DI RISPARMIO DI CESENA S.p.A.

Founded in 1841, Cassa di Risparmio di Cesena has been a cornerstone for the **economic development of the Cesena and Romagna areas**, the driving sectors of which are craft trade, small enterprises, agriculture, export of fruit and vegetables, tourism, residential building and footwear manufacturing. Through its branches, it provides its Customers with services ranging from strictly banking ones to financial intermediation and wealth management.

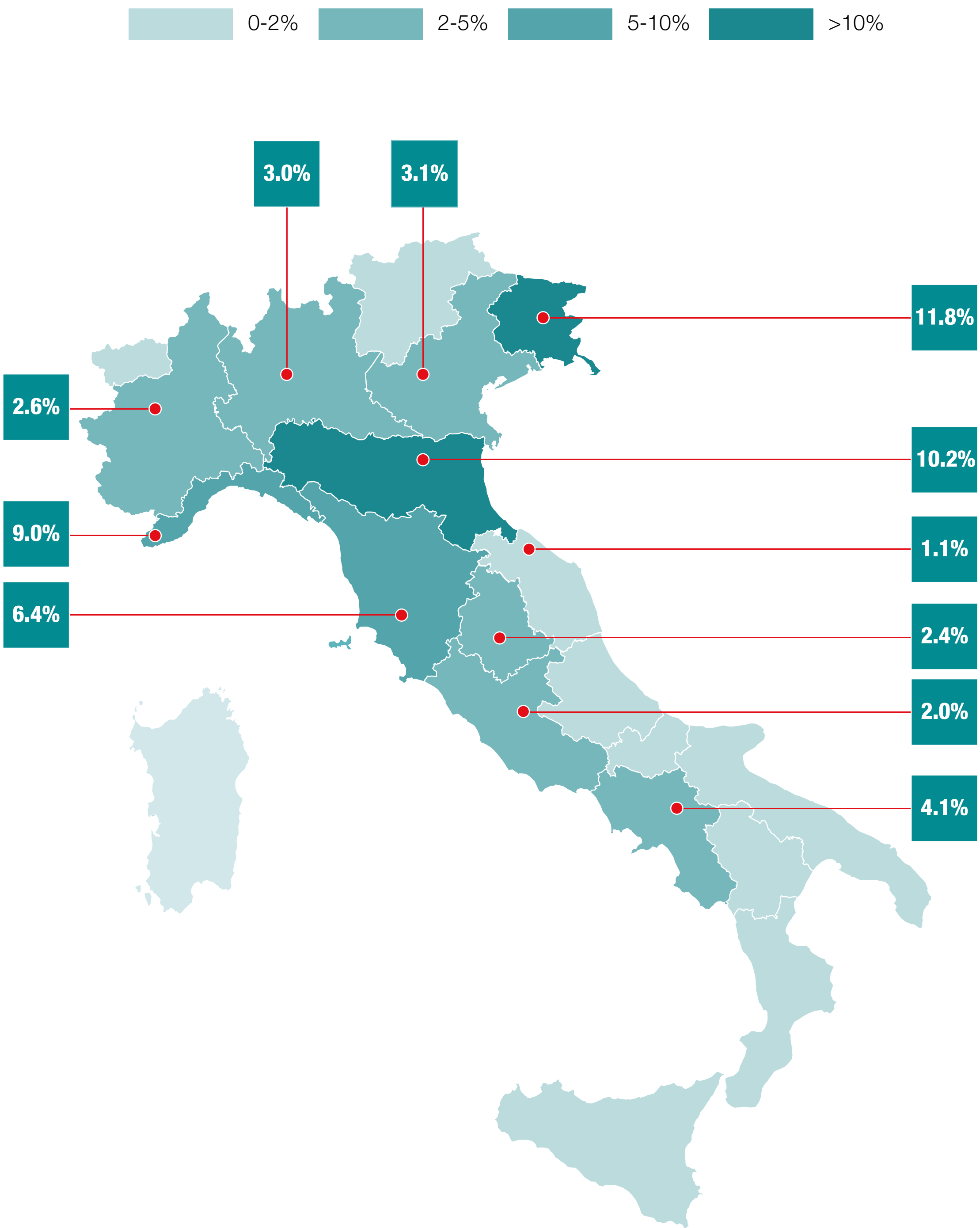
BANCA CARIM

Founded in Rimini in 1840, it is the **partner bank for households and small-medium enterprises based in the Rimini Province**. Strongly rooted in the Adriatic Riviera and in the Romagna inland, it operates also in the Marche, Umbria and Lazio Regions. In 2013, subsequent to the merger by absorption of Eticredito – Banca Etica Adriatica S.p.A., it became the first Italian commercial bank operating institutionally with ethical finance projects.

CARISMI
CASSA DI RISPARMIO DI SAN MINIATO S.p.A.

Founded in 1830, Cassa di Risparmio di San Miniato is **one of the oldest savings Banks in Italy**. Its original Articles of Association sets forth that its main purpose is "being a bank for the people, for the inhabitants also of small and remote communities". Even though in different forms, this purpose still informs the operations of the Bank that is still deeply rooted in the social and economic fabric of the communities it operates in, promoting the Tuscany Region and its high-quality enterprises well beyond the regional borders.

Market shares



Notes

- System data – source: Bank of Italy as at 31 December 2017
- Crédit Agricole Italia Banking Group data as at 31 December 2017

Crédit Agricole Italia Banking Group

2017 Annual Report and Consolidated Financial Statements

Group financial highlights and ratios

Income Statement highlights (°) *(thousands of Euro)*	**31.12.2017**	**31.12.2016**	**Changes**	
			Absolute	**%**
Net interest income	915,676	932,093	-16,417	-1.8
Net fee and commission income	760,307	708,732	51,575	7.3
Dividends	8,839	8,742	97	1.1
Income from banking activities	41,391	61,566	-20,175	-32.8
Other operating income (expenses)	-15,025	1,157	-16,182	
Net operating income	1,711,188	1,712,290	-1,102	-0.1
Operating expenses	-1,045,016	-1,060,535	-15,519	-1.5
Operating margin	666,172	651,755	14,417	2.2
Provisions for risks and charges	-58,219	-17,277	40,942	
Net value adjustments of loans	-295,885	-306,025	-10,140	-3.3
Profit (loss) for the period	690,240	208,124	482,116	

Balance Sheet highlights(°) *(thousands of Euro)*	**31.12.2017**	**31.12.2016**	**Changes**	
			Absolute	**%**
Loans to Banks	178,795	-552,333	731,128	
Loans to Customers	44,251,456	38,209,279	6,042,177	15.8
Investments held to maturity	2,234,277	-	2,234,277	100.0
Financial assets available for sale	5,344,090	5,423,218	-79,128	-1.5
Equity investments	33,868	10	33,858	
Property, plant and equipment and intangible assets	2,797,622	2,407,321	390,301	16.2
Total net assets	59,579,102	49,963,875	11,615,227	24.2
Net financial liabilities/assets designated at fair value	67,102	-	67,102	100.0
Net Financial Assets/Liabilities held for trading	1,569	11,325	-9,756	-86.1
Funding from Customers	50,358,320	39,892,679	10,465,641	20.8
Indirect funding from Customers	64,172,911	64,892,521	-719,610	-1.1
of which: asset management	33,632,942	28,147,666	5,485,276	19.5
Equity	6,114,634	5,081,710	1,032,924	20.3

Operating structure	**31.12.2017**	**31.12.2016**	**Absolute**	
			Absolute	**%**
Number of employees	10,271	8,269	2,002	24.2
Average number of employees(§)	9,755	7,827	1,928	24.6
Number of branches	1,015	815	200	24.5

(°) Income statement and balance sheet data are those restated in the reclassified financial statements shown on pages 26 and 34.

(§) 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%.

(*) 2016 Loans to Banks (liability mismatch) were reclassified for smoothing with 2017 (asset mismatch)

Structure ratios[(°)]	**31.12.2017**	**31.12.2016**
Loans to customers/Total net assets	74.3%	78.8%
Direct funding from Customers/Total net assets	84.4%	82.2%
Asset management/Total indirect funding from Customers	52.4%	43.4%
Loans to Customers/ Direct funding from Customers	88.0%	95.8%
Total assets/Equity	10.9	10.4

Profitability ratios[(°)]	**31.12.2017**	**31.12.2016**
Net interest income/Net operating revenues	53.5%	54.4%
Net fee and commission income/Net operating revenues	44.4%	41.4%
Cost[(*)]/income ratio	57.6%	56.3%
Net income/Average equity (ROE)[(a)]	4.6%	4.2%
Net income/Average Tangible Equity (ROTE) [(a)]	7.2%	6.7%
Net income/Total assets (ROA)	1.0%	0.4%
Net income/Risk-weighted assets	2.5%	0.9%

Risk ratios[(°)]	**31.12.2017**	**31.12.2016**
Gross bad loans/Gross loans to Customers	6.3%	7.2%
Net bad loans/Net loans to Customers	2.7%	3.2%
Impairments of loans/Net loans to Customers	0.7%	0.8%
Cost of risk[(b)]/Operating margin	53.2%	49.6%
Net bad loans/Total Capital[(c)]	28.5%	38.2%
Net non-performing loans/Net loans to Customers	7.6%	7.6%
Total Impairments of non-performing loans/Gross non-performing loans	44.9%	42.2%

Productivity ratios[(°)] **(in income terms)**	**31.12.2017**	**31.12.2016**
Operating expenses/No. of Employees (average)	128	136
Operating revenues/No. of Employees (average)	207	219

Productivity ratios (in financial terms)	**31.12.2017**	**31.12.2016**
Loans to Customers/No. of Employees (average)	4,455	4,882
Direct funding from Customers/No. of Employees (average)	5,064	5,097
Gross banking income(f) /No. of Employees (average)	15,980	18,269

Capital and liquidity ratios	**31.12.2017**	**31.12.2016**
Common Equity Tier 1[(d)]/Risk-weighted assets (CET 1 ratio)	11.6%	11.4%
Tier 1[(e)]/Risk-weighted assets (Tier 1 ratio)	12.8%	11.8%
Total Capital[(c)]/Risk-weighted assets (Total capital ratio)	15.1%	13.3%
Risk-weighted assets (Euro thousands)	27,839,234	24,129,855
Liquidity coverage ratio (LCR)	197%	142%

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements shown on pages 26 and 34. For the above performance measures, the ESMA Guidelines issued on 5 October 2015 and in force since 3 July 2016.

(*) Ratio calculated excluding ordinary and extraordinary contributions to support the banking system

(a) The ratio of net “operating” earnings to the 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 2017[1]

In 2017 the global scenario showed positive signs, with economic indicators of an **expansionary phase**, strengthening the growth that had already started in 2016.

At the end of 2017, the world economy posted **new growth in the global GDP/GWP** and an average increase in global trade of nearly 5% (more than twice the average annual growth between 2012 and 2016). Moreover, the increase in feedstock prices, the good performance of global equity markets, the recovery of emerging countries, especially Russia and Brazil, after years of deep recession, the growth on the main European economies and low inflation in the EMU are all factors that generated positive effects on the international economic scenario.

Uncertainties remain, which result from the international geopolitical situation, such as the new budgetary policy and possible protectionist trade policies of the United States, as well as the ability of some emerging countries to keep growing, but also the political situation in Europe and the EU reforms that seem difficult to implement.

On the other hand, the approval of the US tax reform (decrease in the tax burden mainly on corporate income to support investments), the consolidation of the Chinese political situation, with the October congress and the related support to the Country's macroeconomic stability, in addition to the European economic cycle that continues to increase above expectations, have all contributed to the strengthening of global recovery and to positive performances of financial markets.

Monetary policies

In this economic scenario, the main central banks are implementing different **monetary policies**:

- The **Fed** continued with its policy for higher interest rates started in 2015 (interest rates had already gone up in December 2015 and December 2016) and increased rates by 0.25 points in three goes in 2017 (March, June and December), thus taking the Fed Funds rate between 1.25% and 1.50%;
- On the other hand, after averting the danger of inflation, the **European Central Bank** has continued to implement expansionary monetary policies **extending the Quantitative Easing** at least until September 2018, in an open-ended approach but with monthly purchases decreasing from Euro 60 to 30 billion, **keeping its policy rates unchanged** (the rate on the main refinancing operations at its all-time low of 0% and the **the deposit facility rate with the ECB** at -0.40%) and extending its targeted longer-term refinancing operations **TLTRO** II with the fourth and last auction in March 2017;
- At the beginning of November 2017, the **Bank of England** decided to raise interest rates in the United Kingdom from 0.25% to 0.5%. It was the first increase since July 2007. The main reason was to contain inflation that had come to 2.7%.

1 Source: Prometeia, Forecast Report (March 2018).

Main economies

In 2017, the Gross World Product increased by +3.6%, progressively improving vs. 2016 (up by +2.9%). The various economic areas are now at different stages in the recovery cycle: the United States have been in expansion for eight years, the Euro Area for five (since the 2011-2012 sovereign debit crisis), whereas the main emerging economies (excluding China) are just now starting to grow at a steady pace. Also because of this, performances continued to be uneven in the various geographical areas and the difference was more marked within emerging economies:

- The **United States** continued to grow, with the GDP coming to +2.3% at the end of the year, up by +1.5% vs. the GDP at the end of 2016, benefiting from an increase in domestic demand. The labour market improved as shown by the unemployment rate decreasing vs. 2016 and by increasing wages. Uncertainties remain associated with trade policies;
- **Japan**: the increase in the GDP (up by +1.7%) vs. 2016 was driven by domestic demand and non-residential private investments. The labour market remained healthy, prices increased at a modest pace and household confidence came to its all-time high since 2014;
- **China's** economy continued to grow with the GDP increasing to +6.8% thanks to exports, consumption and investments, even though it slowed down in the second half of the year because of the lower expansionary momentum of the budgetary policies. After the October Congress, important reforms were announced for the opening of Chinese markets to foreign players and for restricting forms of intermediation outside the banking system and not subject to the relevant regulations, namely the so-called "shadow banking";
- **India's** GDP increased by +6.4% even though at slower pace than in 2016, due to demonetization and tax reforms. The economy was driven by the increase in private consumption, whereas real net exports gave a negative contribution;
- After reporting a negative GDP of -3.5% in 2016 and despite considerable political uncertainties, in 2017 the economy of **Brazil** increased by +1% lifting the uncertainty on the actual start of economic recovery;
- In **Russia** the situation improved, with the annual GDP up by +1.6% driven by the progressive increase in retail sales (thanks to higher real wages, to very low unemployment and to very modest inflation), whereas investments were the weakest component;
- The economy of the **United Kingdom** reported a +1.7% rate of growth, driven by good developments in productive investments and by the labour market with all-time low unemployment. Despite the agreement reached on the first phase of negotiations for the exit of the United Kingdom from the European Union, the future relationship between the two economies remains very uncertain.

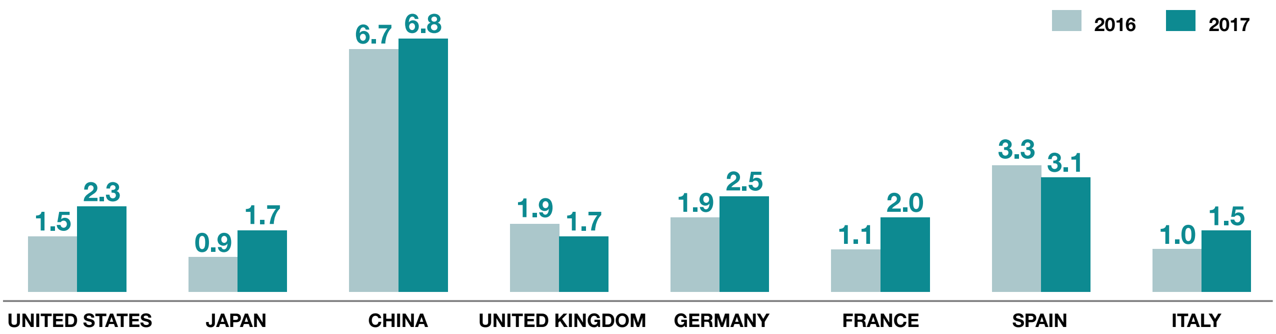
EURO AREA

The recovery in the **economy** of the Euro Area is continuing at a steadier pace, thus with return to before-crisis levels: **The 2017 GDP came to +2.5%**, improving vs. 2016 (up by +1.8%), thanks to the ongoing expansionary economic policies, to an international scenario that is favourable for exports and domestic demand, and to low inflation.

In the year, Business and Consumer confidence continued to improve. Household consumption kept growing at paces unseen since the big recession, which were driven by the improvement in the labour market and high purchasing power fuelled by low inflation. Businesses increased their productive capacity benefiting from favourable financing conditions and from the robust domestic and internal demand, as well as from still wide labour supply.

France posted a **+2%** increase, benefiting from higher consumption and private investments; **Germany**, which completed its eighth year in expansion as did the United States, grew by **+2.5%** thanks to stronger performances in foreign trade and to restocking; in **Spain**, which proved one of the best performing major economies in the EMU for the third year in a row, the GDP increased by **+3.1%** driven by final domestic demand and especially by investments in machinery and means of transport, offsetting the lower contribution of foreign trade.

GDP: % YOY change



Source: Prometeia, Forecast Report – March 2018.

THE ITALIAN ECONOMY

After a long recession, in 2017 the Italian economy confirmed the recovery started in the last two years, thanks to the improvement in the international economic scenario, to the structural reforms that were started and to the recovery in the domestic market.

In 2017, with a +1.5% increase in the GDP, the growth rate became steadier (the highest in the last 7 years) with positive performances exceeding expectations in all sectors of the economy. Indeed, recovery was driven by the good performance of all main macroeconomic indicators: industrial production increased, as did exports, the rate of employment and households' disposable income, while the financial conditions of businesses improved, with the building sector as the only one still showing no signs of improvement.

Recovery continued to be driven by **domestic demand** (up by +1.4%) thanks to the support provided by economic policies and to the improvement in economic and financial conditions and in the labour market. **Investments** performed particularly well (up by +3.9%) and **exports**, which extended to both new geographical areas and to new sectors, improved (up by +6%) vs. the previous year performing better than the leading Euro Area partners.

Consumption grew at the same pace of the previous year, up by +1.3%, also thanks to increased propensity to consume subsequent to the improvement in the economic situation and, therefore, in employment and income prospects. Conversely, purchasing power slowed down significantly with disposable income regularly increasing, because of higher inflation.

In the year, **consumer confidence**[2] progressively improved across all its components: consumer personal climate, consumer economic climate, consumer current climate and consumer future climate. In 2017, assessments **on the present economic situation and expectations for the future** both improved appreciably. For both components, recovery slowed down in the last months of the year vs. its performance from February to September. Analyzing the **views on the performance** of consumer prices, opinions and expectations for a decrease in prices were found to prevail. Expectations on unemployment also improved. Moreover, as recently remarked by the Governor of the Bank of Italy, Ignazio Visco: "Prudent budgetary policies will help make markets more confident in the reduction of the public debt-to-GDP ratio".

As regards **businesses**, confidence improved subsequent to increased confidence in all sectors: manufacturing, construction, services and retail trade. The number of innovative start-ups on the Business Register increased (approximately 8,000 in 2017 vs. 2,000 in 2014).

2 Source: ISTAT (the Italian National Institute of Statistics), Flash press release on Consumer and Business Confidence (December 2017)

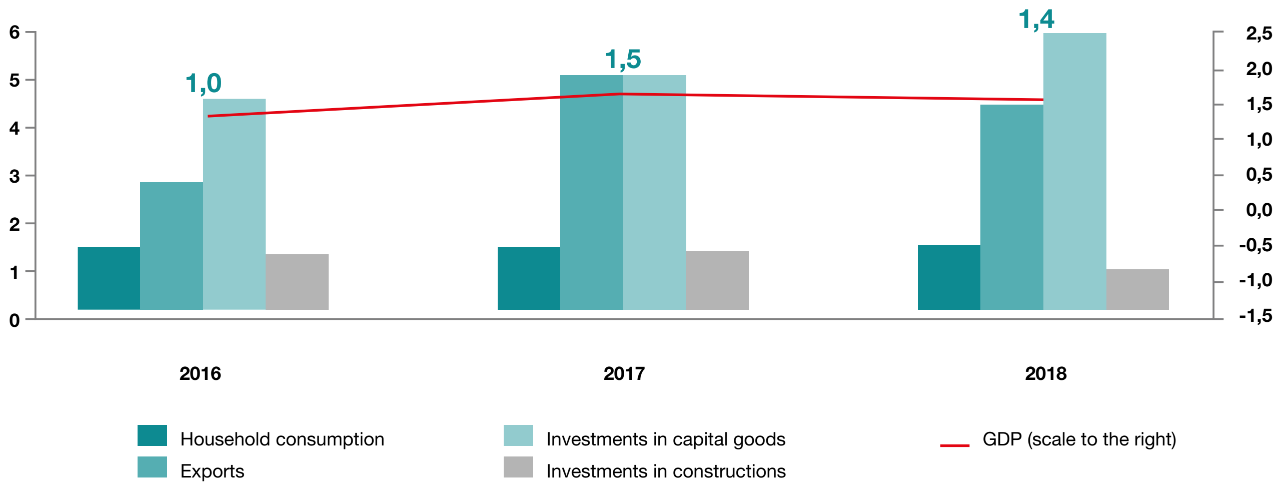
Total investments increased by **+3.9% vs. the previous year**: Significant momentum was given by **investments in machinery and means of transport** driven by tax incentives, whereas investments in constructions showed signs of recovery, even though at a lower pace.

Annual **industrial production** increased by +4.9%; tendentially[3] indexes posted significant increases in capital goods, and just as considerable were the increases in intermediate goods and consumer goods, whereas the energy sector decreased.

The **unemployment rate**[4] showed a decreasing trend: in December 2017 it came to 10.8% (youth unemployment to 32.2%); the number of employed persons also increased (employment rate at 58.0%) with a higher number of employees, mainly permanent ones, despite a slight increase in NEETs (young people not in employment, education or training).

On average, in 2017 **consumer prices**[5] increased by 1.2% after posting a modest decrease in 2016 (down by -0.1%). "Core inflation", net of energy and fresh food products, came to +0.7%, with a rate that is only slightly higher than that of 2016 (+0.5%).

Italy: GDP and its components



Source: Prometeia, Forecast Report – March 2018.

THE BANKING SYSTEM

Subsequent to the **legislative measures implemented in 2016** and aimed at stabilizing the banking system (to be specifically mentioned are the Atlante Recovery Fund, the State guarantee scheme backing securitization of bad loans (GACS), the Decree on Cooperative Banks and the Decree for the Protection of Savings), **in 2017** the **existing crises were solved and the industry was strengthened.**

The **combinations between banks** accounted for some of the main processes in 2017 and allowed ailing lenders to be rescued, thus contributing to the stabilization of the banking system, increasing the market shares of the leading groups and decreasing fragmentation. Some of the main transactions were:

- The purchase by Intesa Sanpaolo of some assets and liabilities of **Veneto Banca** and **Banca Popolare di Vicenza**;
- The acquisition by UBI of **Nuova Banca Marche, Nuova Banca Etruria** and **Nuova Carichieti**;
- The acquisition of **Nuova CariFerrara** by Banca Popolare dell'Emilia Romagna;
- The acquisition by the Crédit Agricole Italia Banking Group of **Cassa di Risparmio di Rimini, Cassa di Risparmio di Cesena and Cassa di Risparmio di San Miniato**;

3 Source: ISTAT (the Italian National Institute of Statistics), Flash press release on Industrial Output (February 2018)
4 Source: ISTAT (the Italian National Institute of Statistics), press release on Employed and Unemployed Persons (February 2018)
5 Source: ISTAT (the Italian National Institute of Statistics), Flash press release on Consumer Prices (December 2017)

- The finalization of the incorporation of the new **Banco BPM** Group, which started in 2016, from the merger of Banco Popolare and Banca Popolare di Milano (with the merger, the entity became a joint-stock company, in compliance with the Reform of Italian cooperative banks).

In the year, **capital strengthening** took place in the banking industry in accordance with the relevant regulatory requirements. Lenders had to comply with the minimum capital requirements laid down by the ECB, improving their *Common equity tier 1 ratios through* **capital increases and decreases in asset riskiness.**

The main capital increases were:

- **Unicredit** recapitalization for Euro 13 billion;
- The **precautionary recapitalisation of Monte dei Paschi di Siena for Euro 8.1 billion**, of which Euro 3.9 billion of share capital increase subscribed by the Italian Ministry of the Economy and Finance and Euro 4.3 billion resulting from burden sharing (forced conversion of all junior bonds issued by the Bank before the subscription of the shares by the Ministry of the Economy and Finance). This transaction was included in the 2017-2021 Restructuring Plan and approved by the European Commission. An integral part of the restructuring plan is the disposal of gross bad loans for Euro 28.6 billion, the most part of which through a securitization structure and the remaining part, consisting of small-amount positions, through dedicated procedures;
- **Carige** recapitalization for Euro 544 billion;
- **UBI** recapitalisation for Euro 400 million supporting the acquisition of the new Banca Marche, Banca Etruria and Carichieti.

The **improvement in banks' assets** was possible also thanks to extraordinary **disposals of non-performing loans**, including those by Monte dei Paschi di Siena (Euro 4 billion), by Carige (Euro 738 million) and by Creval (Euro 265 million), on top of several other ordinary disposals entailing lower amounts made by all the other banks. The efforts made by the Italian banking industry to decrease NPLs have been acknowledged: the 2018 First Progress Report on the Reduction of Non-Performing Loans in Europe issued by the European Commission ranks our Country as one of the most virtuous ones.

Another driver for the restructuring of the Italian banking industry has been the reform of **cooperative banks**, which required the combination of over 300 cooperative banks under holding parent companies. The combination process is in its final stage and will result in the incorporation of two banking holding companies: Iccrea and Cassa Centrale Banca. The next step for the new Groups to face will be the Comprehensive Assessment by the ECB, i.e. the Asset Quality Review, and stress tests.

The **profitability**[6] of the Italian banking system for 2017 has been estimated as **possibly the best one since the crisis**, despite interest rates at their all-time low (the average 3-month Euribor of December 2017 at -0.33%) and the considerable writedowns of loans in the year, which, even though decreasing vs. 2016, absorbed a considerable portion of profitability. Return on capital and reserves came to 4.1% as at the end of 2017. This performance resulted from the recovery in the domestic economy and in the international one, combined with the ECB expansionary monetary policies:

- The December 2017 data show that **credit quality** markedly **improved**: NPL stocks and weights have decreased and coverage increased. As at the end of 2017, net **bad loans** decreased to Euro 60 billion **down** by 24% vs. the end of the previous year. The weight of net bad loans on total loans came to 3.74%, decreasing from 4.89% recorded at the end of 2016;
- **Loans to households and businesses, net of bad loans, decreased by** -1.3%[7] vs. the previous year. In the reporting year market recovery for **mortgage loans** continued, which drove growth in the household segment, whereas businesses still showed some slowdown;
- In December 2017, the **interest rates applied to loans to customers** further **decreased**: the average rate on total loans came to 2.69%, at a new all-time low record; rates on new loans were also very low (home loans: 1.90%; loans to businesses: 1.45%);

6 Source: ABI Monthly Outlook (January 2018).
7 Source: Data on ABI Sample (January 2018).

- At the end of 2017, direct funding (deposits from resident customers and bonds) was stable YOY. The medium/long-term funding component progressively decreased, with bonds down by -15.2% vs. December 2016, with a concomitant increase in deposits (up by +3.6% vs. the end of the previous year) or in asset management products, which proved more profitable for customers in a phase of interest rates at their all-time low.
- In 2017, the yields on direct funding also decreased further: the average interest rate on funding was 0.89%, vs. 0.99% in 2016;
- 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 2017 it came to 180 basis points decreasing vs. 188 basis points in December 2016;
- As regards the asset management industry[8], at the end of 2017, the system reported net total funding of close to Euro 100 billion. Equity came to its new all-time high of Euro 2,086 billion, increasing by +7.7% vs. December 2016. Open-end funds proved the main drivers achieving Euro 77 billion worth of net funding. Investors preferred especially bonds;
- In 2017 operating expenses[9] decreased vs. the previous year, thanks both to the rationalization of branches and to the downsizing of staff, as well as to continuous actions for the improvement of process efficiency and reduction of costs. The Cost/Income ratio came to 71%, improving after the exceptional levels of 2016, also due to additional expenses for redundancies and to extraordinary contributions to the resolution fund;
- In terms of income, 2017 **profits** of the banking industry have been estimated[9] as positive, after the negative performance at the end of 2016, thanks to the increase in net fee and commission income (driven by the growth in the asset management component), to the effective actions for cost reductions and to the decrease in the cost of risk after the exceptional levels reached in 2016, as well as to the recognition of non-recurring income (Government grants, badwill, gains from disposals of assets).

PERFORMANCE OF OPERATIONS

The 2017 financial year of the Crédit Agricole Italia Banking Group featured the acquisition of Cassa di Risparmio Cesena, Cassa di Risparmio Rimini and Cassa di Risparmio San Miniato (the so-called "Fellini Transaction"), which was finalized on 21 December 2017 and resulted also in an increase in the Group's market share at a national level and, especially, in its core areas of operations (the Emilia-Romagna and Tuscany Regions).

In terms of performance, the Fellini Transaction determined a material change in the Group perimeter, which prevents any homogeneous comparison with the figures as at 31 December 2016; indeed, the Fellini Transaction has generated significant impacts:

- On balance sheet data: assets were acquired for nearly Euro 18 billion (approximately Euro 4.8 billion worth of loans, Euro 6.9 billion worth of direct funding and Euro 6.2 billion worth of indirect funding), in addition to the capital increase servicing the transaction (amounting to approximately Euro 320 million);
- On income statement data: in the reporting period, the profit (loss) of the three Banks accruing in the 10 days after their acquisition, acquisition expenses (approximately Euro 11 million) and integration ones (over Euro 40 million) and the badwill (positive impact for Euro 494 million) were recognized.

Net of the Fellini Transaction, in 2017 the Crédit Agricole Italia Banking Group proved once again, despite a quite complex economic and regulatory scenario, able to achieve significantly good business performances and to further improve profitability.

At the end of 2017, total intermediated assets came in excess of Euro 158 billion (approximately Euro 140 billion net of the Fellini Transaction) and the net profit to Euro 690 million (excluding the Fellini Transaction, net income from operation came to Euro 250 million, net of non-recurring components).

8 Source: Assogestioni (the Italian National Association of Asset Management Firms), Asset Management Monthly Map (December 2017)
9 Source: Prometeia Bank Financial Statement Forecast (January 2018)

THE PERFORMANCE OF BALANCE SHEET AGGREGATES

Balance Sheet Reclassification

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

- Presentation of Financial Assets/Liabilities held for trading on a net basis;
- Presentation of Due from/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.

In order for the balance sheet and income statement data to be commented on by the Management, the reclassified financial statements as at 31 December 2017 report the aggregates on the same perimeter with the addition of the contributions from the New Banks and the consolidation adjustments resulting from the business combination.

Reclassified Consolidated Balance Sheet

Assets	31.12.2017	*of which CAIBG before Fellini*	*of which Fellini Banks*	*Of which PPA and Consolidation adjustments*	31.12.2016	Changes	
						Absolute	%
Financial assets available for sale	5,344,090	3,657,019	1,700,071	-13,000	5,423,218	-79,128	-
Investments held to maturity	2,234,277	2,234,277	-	-	-	2,234,277	100.0
Loans to Banks	178,795	1,467,774	-1,288,979	-	-552,333	731,128	-
Loans to Customers	44,251,456	39,448,417	4,804,039	-1,000	38,209,279	6,042,177	15.8
Equity investments	33,868	152,652	11,216	-130,000	10	33,858	
Property, plant and equipment and intangible assets	2,797,622	2,424,362	312,260	61,000	2,407,321	390,301	16.2
Non-current assets held for sale and discontinued operations	1,458,004	939,738	501,766	16,500	1,087,730	370,274	34.0
Tax assets	98	-	98	-	-	98	100.0
Other assets	3,280,892	1,313,989	1,966,903	-	1,388,650	1,892,243	
Total assets	**59,579,102**	**51,638,228**	**8,007,373**	**-66,500**	**47,963,875**	**11,615,227**	**24.2**

Liabilities	31.12.2017	*of which CAIBG before Fellini*	*of which Fellini Banks*	*Of which PPA and Consolidation adjustments*	31.12.2016	Changes	
						Absolute	%
Funding from Customers	50,291,118	43,407,143	6,851,530	32,445	39,892,679	10,398,439	26.1
Net financial liabilities/assets designated at fair value	67,102	-	67,102	-	-	67,102	100.0
Net Financial Assets/Liabilities held for trading	1,569	6,167	-4,598	-	11,325	-9,756	-86.1
Tax liabilities	231,849	229,835	2,014	-	200,227	31,622	15.8
Other liabilities	2,028,268	1,844,390	183,878	-	2,232,332	-204,064	-9.1
Specific-purpose provisions	585,083	288,237	228,046	68,800	339,704	245,379	72.2
Capital	934,838	934,838	799,324	-799,324	876,762	58,076	6.6
Equity instruments	365,000	365,000	-	-	200,000	165,000	82.5
Reserves (net of treasury shares)	4,143,497	4,144,393	-85,109	84,213	3,810,253	333,244	8.7
Valuation reserves	-18,941	-11,614	-9,402	2,075	-13,429	5,512	41.0
Equity attributable to minority interests	259,479	208,658	1,863	48,958	205,898	53,581	26.0
Net profit (Loss) for the year	690,240	221,181	-25,718	494,777	208,124	482,116	
Total liabilities and equity	**59,579,102**	**51,638,228**	**8,008,931**	**-68,056**	**47,963,875**	**11,615,227**	**24.2**

Reconciliation of the official and reclassified balance sheets

Assets	31.12.2017	31.12.2016
Financial assets available for sale	**5,344,090**	**5,423,218**
40. Financial assets available for sale	5,344,090	5,423,218
Investments held to maturity	**2,234,277**	**-**
50. Investments held to maturity	2,234,277	-
Loans to Banks	**178,795**	**-552,333**
60. Loans to Banks	7,237,907	4,383,986
10. Due to banks	-7,059,113	-4,936,319
Loans to Customers	**44,251,456**	**38,209,279**
70. Loans to Customers	44,251,456	38,209,279
Equity investments	**33,868**	**10**
100. Equity investments	33,868	10
Property, plant and equipment and intangible assets	**2,797,622**	**2,407,321**
120. Property, plant and equipment	838,358	519,140
130. Intangible Assets	1,959,264	1,888,181
Tax assets	**1,458,004**	**1,087,730**
140. Tax assets	1,458,004	1,087,730
Non-current assets held for sale and discontinued operations	**98**	**-**
150. Non-current assets held for sale and discontinued operations	98	-
Other assets	**3,280,892**	**1,388,650**
10. Cash and cash equivalents	1,990,365	223,966
160. Other assets	694,075	406,384
80. Hedging derivatives (Assets)	570,367	749,490
90. Fair value change of financial assets in macro-hedge portfolios	26,085	8,810
Total assets	**59,579,102**	**47,963,875**

Liabilities	31.12.2017	31.12.2016
Funding from Customers	**50,291,118**	**39,892,679**
20. Due to Customers	40,575,365	31,136,638
30. Debt securities issued	9,715,753	8,756,041
Net Financial liabilities designated at fair value	**67,102**	-
50. Net Financial liabilities designated at fair value	67,201	-
30. Financial assets designated at fair value	-99	-
Net financial Liabilities/Assets held for trading	**1,568**	**11,325**
40. Financial liabilities held for trading	75,820	103,135
20. Financial assets held for trading	-74,252	-91,810
Tax liabilities	**231,849**	**200,227**
80. Tax liabilities	231,849	200,227
Liabilities associated with non-current assets held for sale and discontinued operations	-	-
Other liabilities	**2,028,268**	**2,232,332**
100. Other liabilities	1,126,838	932,931
60. Hedging derivatives (Liabilities)	527,675	748,527
70. Fair value change of financial liabilities in macro-hedge portfolios	373,754	550,874
Specific-purpose provisions	**585,083**	**339,704**
110. Employee severance benefits	151,130	146,378
120. Provisions for risks and charges	433,953	193,326
Capital	**934,838**	**876,762**
180. Capital	934,838	876,762
Equity instruments	**365,000**	**200,000**
150. Equity instruments	365,000	200,000
Reserves (net of treasury shares)	**4,143,497**	**3,810,253**
160. Reserves	1,150,176	1,078,826
170. Share premium reserve	2,997,386	2,735,462
190. Treasury Shares	-4,065	-4,035
Valuation reserves	**-18,941**	**-13,429**
130. Valuation reserves	-18,941	-13,429
Equity attributable to minority interest	**259,479**	**205,898**
210. Equity attributable to minority interest	259,479	205,898
Net Profit (Loss) for the year	**690,240**	**208,124**
200. Net Profit (Loss) for the period	690,240	208,124
Total liabilities and equity	**59,579,102**	**47,963,875**

Balance sheet aggregates

The changes occurred in 2017 in its balance sheet aggregates have allowed the Crédit Agricole Italia Banking Group to strengthen its role in supporting the real economy, and this could be achieved by always striving to maintain good balance between funding and lending.

Loans to Customers

As at 31 December 2017, loans to Customers came to Euro 44.2 billion, increasing by +16% vs. 2016, by +3.2% also excluding the Fellini Transaction (which contributed loans to Customers for approximately Euro 4.8 billion). This performance was driven by both mortgage loans, which came to Euro 23.9 billion excluding the Fellini Transaction (especially home loans – about 24,000 new ones in the year, in line with 2016 and against the market trend of decrease in new mortgage loans) and by other loans (intended to support businesses, up by +3% loans to the economy – net of the Fellini Transaction). As regards technical forms with shorter maturities, affected by a still fragile macroeconomic scenario, the Bank's operations focused on advances and credit facilities, and especially on technical forms with 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 increase in volumes was achieved while constantly focusing on credit quality, with the weight of non-performing loans on total loans to customers significantly decreasing in the reporting year (from 12.4% to 10.8%) – also thanks to the lower number of positions that became non-performing – and, concomitantly, an increased coverage ratio (up from 42.2% to 44.9%). In the reporting year, some sales of NPLs were made (for a total gross amount of approximately Euro 290 million).

Funding from Customers

Giving evidence of Customers' confidence and trust in the Group, in the reporting period, assets under administration (coming to Euro 114.5 billion as at 31 December 2017 and to Euro 101 billion net of the Fellini Transaction), increased vs. 31 December 2016 – net of the Fellini Transaction – by Euro 6.6 billion (up by +7%) (excluding outgoing assets under management regarding a specific Institutional account). This performance was driven by the positive developments both in assets under management, up by +19.5% (by +5.7% net of the Fellini Transaction), and in direct funding, up by +26.2% (up by +8.8% net of the Fellini Transaction).

The development in direct funding (which, as at 31 December 2017, came to Euro 50.4 billion) was driven by current accounts whose credit balances increased to Euro 38.3 billion (up by +33.2% vs. 2016 and up by +14,2% also net of Fellini), substantiating Customers' preference for more liquid forms of deposit.

As regards "Debt securities issued", the Group's activity focused on the issue of Covered Bonds that, thanks to better and better reception by the market, has allowed funding to be stabilized with long maturities and at advantageous costs: in 2017, the Group placed another Euro 2.3 billion worth of covered bonds; at the same time, unsecured debentures decreased (down by -43.1% net of the Fellini Transaction): the scenario of low interest rates has been leading customers to opt for products with possible higher returns, especially asset management products.

Subsequent to the acquisition of CR San Miniato, the direct funding figure as at 31 December 2017 includes securities designated at fair value (debentures issued) for an amount of approximately Euro 67 million.

Indirect funding

At the end of 2017, indirect funding came to Euro 64.1 billion and to Euro 58.0 billion net of the Fellini Transaction, and, with the same perimeter and excluding outgoing assets under administration regarding a specific Institutional account, it increased YOY (up by +6%). Within this aggregate, the weight of asset management increased (up by Euro +5.5 billion vs. the end of 2016, up by Euro +1.6 billion net of the Fellini Transaction). The asset management segment posted an increase in both its components: wealth management and insurance products, substantiating customers' preference for these forms of investment.

Net interbank position

As at 31 December 2017, the net interbank position of the Crédit Agricole Italia Banking Group was positive and came to Euro 178 million, increasing by Euro 731 million vs. the previous year. This performance resulted from the increase in the deposit made by the Parent Company regarding the portion of Covered Bonds it issued.

Financial assets available for sale

The value of financial assets available for sale posted a slight decrease on its main components, i.e. Government Securities held within the liquidity risk management policy coming to Euro 5.1 billion (down by Euro -105.9 million vs. December 2016, and by -1.7 billion considering the same perimeter) and equity investments (down by -36.5 million Euro excluding the Fellini Transaction); this change also reports the writedown of the contribution paid to the Voluntary Scheme for the intervention on CR Cesena.

It is reported that a portfolio of Government Securities (amounting to approximately Euro 2 billion) was acquired in 2017 and has been recognized under investments held to maturity.

Property, plant and equipment and intangible assets

At the end of 2017, property, plant and equipment and intangible assets came to Euro 2.8 billion, increasing vs. 2016 subsequent to the Fellini Transaction.

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 585 million, increasing by Euro 245 million (up by +72%) vs. 2016. This change mainly regarded the "Other provisions for risks and charges" item (up by Euro +241 million) covering personnel expenses, operational risks and legal disputes.

Equity

As at the reporting date, equity, including the earnings for the year, came to over Euro 6 billion, increasing vs. the end of 2016 mainly due to the effects of the Fellini Transaction (capital increase servicing the transaction and net profit generated by it).

Own Funds

As at 31 December 2017, the Common Equity Tier 1 ratio came to 11.6%, increasing vs. the previous year (11.4% as at 31 December 2016) also due to the capital increase of Euro 320 million made at the end of 2017 within the transaction for the acquisition of Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato, as well as to the badwill generated by that transaction amounting to Euro 494 million. The Tier 1 ratio came to 12.8%, increasing vs. the end of 2016 (11.8% as at 31 December 2016) subsequent to the issue of an Additional Tier 1 subordinated instrument worth Euro 165 million. The Total Capital ratio came to 15.1%, increasing vs. the figure as at the end of 2016 (13.3%).

Loans to Customers

Items	31.12.2017	*Of which CAIBG before Fellini*	31.12.2016	Changes	
				Absolute	%
- Current accounts	2,813,237	2,252,473	2,222,197	591,040	27
- Mortgage loans	27,165,159	23,910,433	22,729,762	4,435,397	20
- Advances and credit facilities	10,978,089	10,570,126	10,191,736	786,353	8
- Repurchase agreements	342,913	-	-	-	-
- Non-performing loans	2,785,831	2,559,800	2,904,907	-119,075	-4
Loans	**44,085,229**	**39,292,832**	**38,048,602**	**6,036,627**	**16**
Loans represented by securities	**166,227**	**155,585**	**160,677**	**5,550**	**3**
Loans to Customers	**44,251,456**	**39,448,417**	**38,209,279**	**6,042,177**	**16**

Credit quality

Items	31.12.2017			Of which CAIBG before Fellini			31.12.2016		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Gross exposure	Gross exposure	Total adjustments	Net exposure
- Bad loans	2,950,066	1,754,196	1,195,870	2,831,688	1,649,091	1,182,597	2,919,533	1,691,113	1,228,420
- Unlikely to Pay	2,037,025	511,844	1,525,181	1,709,391	384,642	1,324,750	2,022,592	420,211	1,602,381
- Past-due/overlimit loans	72,590	7,810	64,780	57,489	5,036	52,453	82,057	7,951	74,106
Non-performing loans	5,059,681	2,273,850	2,785,831	4,598,569	2,038,769	2,559,800	5,024,182	2,119,275	2,904,907
Performing loans	41,691,283	225,658	41,465,625	37,045,746	157,128	36,888,618	35,484,623	180,251	35,304,372
Total	46,750,964	2,499,508	44,251,456	41,644,315	2,195,897	39,448,417	40,508,805	2,299,526	38,209,279

Items	31.12.2017			Of which CAIBG before Fellini			31.12.2016		
	Gross exposure weight	Net exposure weight	Coverage ratio	Gross exposure weight	Net exposure weight	Coverage ratio	Gross exposure weight	Net exposure weight	Coverage ratio
- Bad loans	6.3%	2.7%	59.5%	6.8%	3.0%	58.2%	7.2%	3.2%	57.9%
- Unlikely to Pay	4.4%	3.4%	25.1%	4.1%	3.4%	22.5%	5.0%	4.2%	20.8%
- Past-due/overlimit loans	0.2%	0.1%	10.8%	0.1%	0.1%	8.8%	0.2%	0.2%	9.7%
Non-performing loans	10.8%	6.3%	44.9%	11.0%	6.5%	44.3%	12.4%	7.6%	42.2%
Performing loans	89.2%	93.7%	0.5%	89.0%	93.5%	0.4%	87.6%	92.4%	0.5%
Total	100.0%	100.0%	5.3%	100.0%	100.0%	5.3%	100.0%	100.0%	5.7%

Funding from Customers

Items	31.12.2017	*Of which CAIBG before Fellini*	31.12.2016	Changes	
				Absolute	%
- Deposits	2,013,974	1,701,300	2,150,391	-136,417	-6.3
- Current and other accounts	38,262,415	32,788,305	28,714,900	9,547,514	33.2
- Other items	289,306	244,668	271,347	17,959	6.6
- Repurchase agreements	9,671	-	-	9,671	0.0
Due to Customers	**40,575,365**	**34,734,273**	**31,136,638**	**9,438,727**	**30.3**
Debt securities issued	9,715,753	8,672,870	8,756,041	959,712	11.0
Net Financial liabilities designated at fair value (debt instruments)	67,201	-	-	-	0.0
Total direct funding	**50,358,320**	**43,407,143**	**39,892,679**	**10,465,640**	**26.2**
Indirect funding	**64,172,911**	**58,007,908**	**64,892,521**	**-719,610**	**-1.1**
Total funding	**114,531,231**	**101,415,051**	**104,785,200**	**9,746,031**	**9.3**

Indirect funding

Items	31.12.2017	*Of which CAIBG before Fellini*	31.12.2016	Changes	
				Absolute	%
- Asset management products	17,041,680	14,658,256	13,282,643	3,759,037	28.3
- Insurance products	16,591,262	15,086,278	14,865,023	1,726,239	11.6
Total assets under management	**33,632,942**	**29,744,534**	**28,147,666**	**5,485,276**	**19.5**
Assets under administration	**30,539,969**	**28,263,374**	**36,744,855**	**-6,204,886**	**-16.9**
Indirect funding	**64,172,911**	**58,007,908**	**64,892,521**	**-719,610**	**-1.1**

Financial assets available for sale

Items	31.12.2017	31.12.2016	Changes	
			Absolute	%
- Bonds and other debt securities	5,039,485	5,183,913	(144,428)	(3)
- Equity securities and units of collective investment undertakings	39,196	712	38,484	5,405
Securities available for sale	5,078,681	5,184,625	(105,944)	(2)
- Equity investments	265,408	238,593	26,816	11
Shareholdings available for sale	265,408	238,593	26,816	11
Financial assets available for sale	5,344,090	5,423,218	(79,128)	(1)

Government securities held

	31.12.2017		
	Nominal value	Book value	Revaluation reserve
FVTPL			
Italian Government securities	5	7	X
Argentinian Government securities	21	-	X
AFS			
Italian Government securities	4,557,620	4,427,642	30,547
Argentinian Government securities	1	1	1
HTM			
Italian Government securities	2,000,000	2,217,264	X
Total	**6,557,647**	**6,644,914**	**30,548**

Specific-purpose provisions

Items	31.12.2017	31.12.2016	Changes	
			Absolute	%
Employee severance benefits	151,130	146,377	4,753	3.2
Provisions for risks and charges	433,953	193,326	240,627	
- post-employment benefits	40,191	19,045	21,146	
- other provisions	393,762	174,281	219,482	
Total specific-purpose provisions	**585,083**	**339,703**	**245,380**	**72.2**

Equity

Items	31.12.2017	31.12.2016	Changes	
			Absolute	%,
Share capital	934,838	876,762	58,076	7
Share premium reserve	2,997,386	2,735,462	261,924	10
Reserves	1,150,176	1,078,826	71,350	7
Capital/equity instruments	365,000	200,000	165,000	83
Reserves from valuation of available-for-sale financial assets	12,854	17,593	-4,739	-27
Reserves from valuation of actuarial gains (losses) relating to defined-benefit pension plans	-31,795	-31,022	773	2
Treasury Shares	-4,065	-4,035	30	1
Net profit for the year	690,240	208,124	482,116	
Total (book) equity	**6,114,634**	**5,081,710**	**1,032,924**	**20.3**

Own Funds

Own Funds and capital ratios	31.12.2017	31.12.2016
Common Equity Tier 1 (CET1)	**3,239,971**	**2,572,105**
Additional Tier 1 (AT1)	323,726	103,178
Tier 1 (T1)	**3,563,697**	**2,855,283**
Tier 2 (T2)	633,410	361,435
Own Funds	**4,197,107**	**3,216,718**
Risk-weighted assets	**27,839,234**	**24,129,855**
of which by credit and counterparty risks and by the risk of value adjustment of the loan	24,696,755	21,485,004
CAPITAL RATIOS		
Common Equity Tier 1 ratio	**11.6%**	**11.4%**
Tier 1 ratio	**12.8%**	**11.8%**
Total Capital ratio	**15.1%**	**13.3%**

PROFIT OR LOSS

The profit (loss) for the 2017 financial year of the Crédit Agricole Italia Banking Group reports, in addition to the profit (loss) of the three “Fellini” Banks accruing in the 10 days after their acquisition, acquisition expenses (approximately Euro 11 million) and integration ones (over Euro 40 million) and the badwill (positive impact for Euro 494 million). Therefore, in order to correctly represent the performance achieved, the comparisons given below are reported (if not otherwise specified) considering the same perimeter as in the previous year and, thus, net of the Fellini Transaction.

Income Statement reclassification

In order to represent performance more effectively, a summary income statement has been prepared with appropriate reclassifications and based on appropriate criteria 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 was reported under “Net Interest Income” rather than under “Net Impairment Adjustments of Loans”, since this 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) on Banking Activities;
- Expenses, taxes and levies recovered have been reported as a direct decrease in Administrative Expenses, rather than being recognized under Other operating income/expenses;
- Expenses for the management of non-performing loans and 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/costs”;
- 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”.
- The badwill generated by the business combination has been reclassified from the “Other operating costs/income” item to the “Negative Consolidation Differences” item;
- The cost met for early repayment/settlement of the Lower Tier 2 deposit has been reported in the “Income from banking activities” rather than being allocated to the “Fee and commission expense” item.

Reclassified Consolidated Income Statement

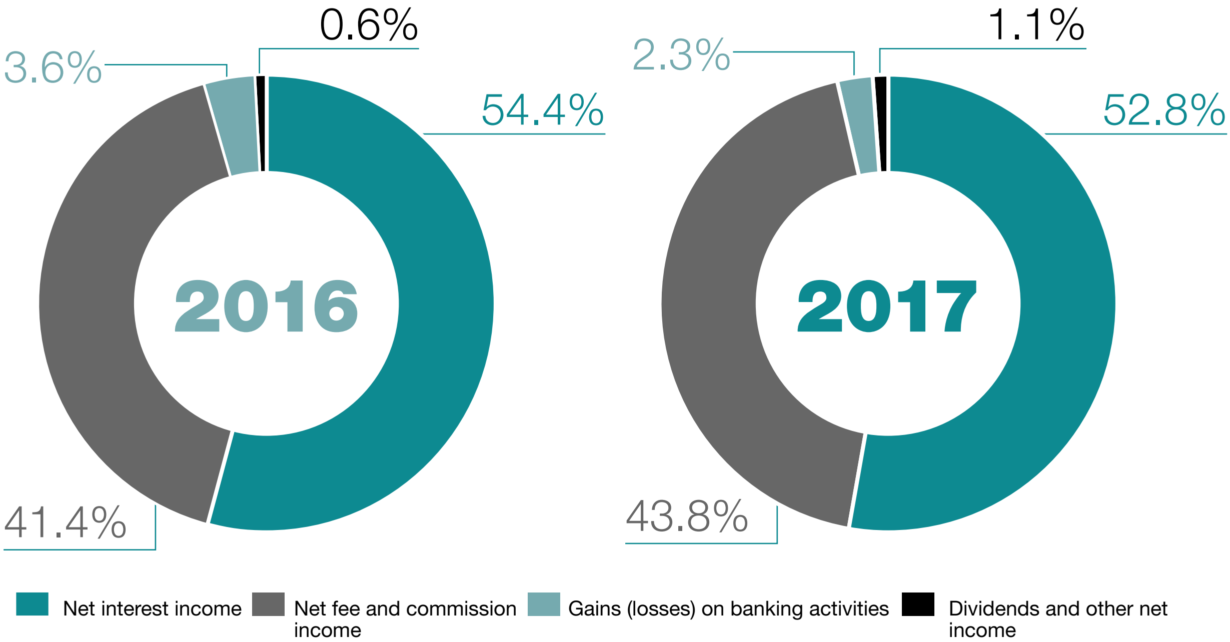
	31.12.2017	*of which CAIBG before Fellini*	*of which Fellini Banks*	*Of which PPA and Consolidation adjustments*	31.12.2016	Changes	
						Absolute	%
Net interest income	915,676	912,547	3,129	-	932,093	-16,417	-1.8
Net fee and commission income	760,307	756,708	3,599	-	708,732	51,575	7.3
Dividends	8,839	8,825	14	-	8,742	97	1.1
Income from banking activities	41,391	39,359	2,032	-	61,566	-20,175	-32.8
Other operating income (expenses)	-15,025	-14,902	-123		1,157	477,387	
Net operating income	**1,711,188**	**1,702,537**	**8,651**	**-**	**1,712,290**	**492,467**	**28.8**
Personnel expenses	-610,772	-608,297	-2,475	-	-636,926	-26,154	-4.1
Administrative expenses	-330,204	-327,093	-3,111	-	-326,642	3,562	1.1
Depreciation of property, plant and equipment and amortization of intangible assets	-104,040	-103,797	-243	-	-96,967	7,073	7.3
Operating expenses	**-1,045,016**	**-1,039,187**	**-5,829**	**-**	**-1,060,535**	**-15,519**	**-1.5**
Operating margin	**666,172**	**663,350**	**2,822**	**-**	**651,755**	**507,986**	**77.9**
Impairment on goodwill	-	-	-	-	-	-	-
Net provisions for risks and charges	-58,219	-13,835	-44,384	-	-17,277	40,942	
Impairments of loans	-295,885	-296,715	830	-	-306,025	-10,140	-3.3
Impairments of other assets	-	-	-	-	-	-	-
Profit (losses) on investments held to maturity and on other investments	1,246	350	896	-	-200	1,446	
Negative consolidation difference	493,569	-	-	493,569	-	493,569	-
Profit (loss from continuing operations) before taxes	**806,883**	**353,150**	**-39,836**	**493,569**	**328,253**	**478,630**	
Taxes on income from continuing operations	-105,003	-119,120	14,117	-	-109,285	-4,282	-3.9
Profit (loss) after taxes on discontinuing operations	-	-	-	-	-	-	-
Net Profit (Loss) for the year	**701,880**	**234,030**	**-25,719**	**493,569**	**218,968**	**482,912**	
Net profit (loss) for the year attributable to minority interest	-11,640	-12,849	-	1,209	-10,844	796	7.3
Net profit (loss) for the period attributable to the Parent Company	**690,240**	**221,181**	**-25,719**	**494,778**	**208,124**	**482,116**	

Reconciliation between the Official and Reclassified Income Statements

	31.12.2017	31.12.2016
Net interest income	**915,676**	**932,093**
30. Net interest income	866,223	874,978
90. Net profit (losses) on hedging activities: of which amortized cost effect of hedging of debt instruments	-6,920	-5,807
130. Net losses on impairment of: a) loans of which time value on non-performing loans	55,320	61,215
190: Calit IAS profit	1,053	1,707
Net fee and commission income	**760,307**	**708,732**
60. Net fee and commission income	734,061	680,537
60. Net fee and commission income: of which penalty for Lower Tier 2 repayment/settlement	12,993	-
190. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	13,253	28,195
Dividends and similar income = item 70	**8,839**	**8,742**
Profit/income (loss) on financial activities	**41,391**	**61,566**
80. Net profit (loss) on trading activities	18,510	16,307
90. Net profit (loss) on hedging loans of which debt securities classified as loans	-12,592	-7,118
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	6,920	5,807
100. Profit (loss) on disposal or repurchase of: a) loans	-	-
100. Profit (loss) on disposal or repurchase of: b) financial assets available for sale	43,128	48,851
100. Profit (loss) on disposal or repurchase of: d) financial liabilities	-1,552	-2,281
110. Net profit (loss) on financial assets and liabilities designated at fair value	-30	-
60. Net fee and commission income: of which penalty for Lower Tier 2 repayment/settlement	-12,993	-
Other operating income (expenses)	**-15,025**	**1,157**
190. Other operating expenses/income	770,410	286,977
190. Other operating expenses/income: of which Badwill	-493,569	-
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	7,151	9,722
To deduct: expenses recovered	-253,342	-256,693
To deduct: recovered expenses for the management of non-performing loans	-8,025	-8,493
To deduct: Commission income from Fast Loan Application Processing	-13,253	-28,195
To deduct>: Calit IAS profit	-1,053	-1,707
130. Net losses on impairment of: b) financial assets available for sale	-23,344	-655
Net operating income	1,711,188	1,712,290
Personnel expenses = item 150 a)	**-610,772**	**-636,926**
Administrative expenses	**-330,204**	**-326,642**
150. Administrative expenses: b) other administrative expenses	-602,684	-599,515
190. Other operating expenses/income: of which expenses recovered	253,342	256,693
150. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	19,138	16,180
Depreciation of Property, plant and equipment and amortization of intangible assets	**-104,040**	**-96,967**
170. Net adjustments/recoveries on property, plant and equipment	-32,163	-29,938
180. Net adjustments/recoveries on intangible assets	-71,877	-67,029
Operating expenses	-1,045,016	-1,060,535
Operating margin	666,172	651,755
Impairment on goodwill = item 230	-	-
Net provisions for risks and charges = Item 160	**-58,219**	**-17,277**
Net impairments of loans	**-295,885**	**-306,025**
100. Profit/losses on disposal of: a) loans	-15,260	-16,519
100. Profit (losses) on disposal or repurchase of: a) loans	-	-
130. Net losses on impairment of: a) loans	-212,736	-221,133
130. Net losses on impairment of: a) loans of which time value on non-performing loans	-55,320	-61,215
150. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	-19,138	-16,180
190. Other operating expenses/income: of which recovered expenses for the management of non-performing loans	8,025	8,493
130. Net losses on impairment of: d) other financial transactions	-1,456	730
To deduct: losses/recoveries relating to FITD (Italian Interbank Deposit Protection Fund) actions	-	-201
Profit (losses) on investments held to maturity and on other investments	**1,246**	**-200**
210. Profit (losses) on equity investments	8,048	9,766
To deduct: CA VITA adjustment price	-7,151	-9,722
240. Profit (losses) on disposals of investments	349	-244
Negative consolidation difference	**493,569**	**-**
190. Other operating expenses/income: of which Badwill	493,569	-
Profit (loss) on continuing operations before taxes	806,883	328,253
Taxes on income from continuing operations = item 260	**-105,003**	**-109,285**
Net profit (loss) for the year	**701,880**	**218,968**
Net profit (loss) for the year attributable to minority interest	-11,640	-10,844
Net profit (loss) for the year attributable to the Parent Company	**690,240**	**208,124**

Net operating income

Net operating income came to Euro 1.7 billion, increasing vs. the previous year: the decrease in income from intermediation with Customers (interest income) and in income from trading was offset by the increase in gains generated by fee and commission income and by other operating revenues.



Net interest income

In a scenario featuring still modest economic growth and still negative interest rates, net interest income came to Euro 912.5 million, essentially in line with the previous financial year (-2%). This performance was mainly due to intermediation activities with Customers, especially to 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 reduced volumes of unsecured bonds issued and increased volumes of covered bonds that are less expensive), was impacted by substantial limits to the decrease in interest rates on certain demand funding forms, which actually prevent complete adjustment to the changes in interest rates (more and more negative).

Interest income on securities in the banking book increased, also thanks to the purchase of BTP Italian government securities (recognized as investments held to maturity) made in the first half of 2017.

It is point out that the portion of net interest income resulting from the three newly-acquired Banks amounted to approximately Euro 3 million.

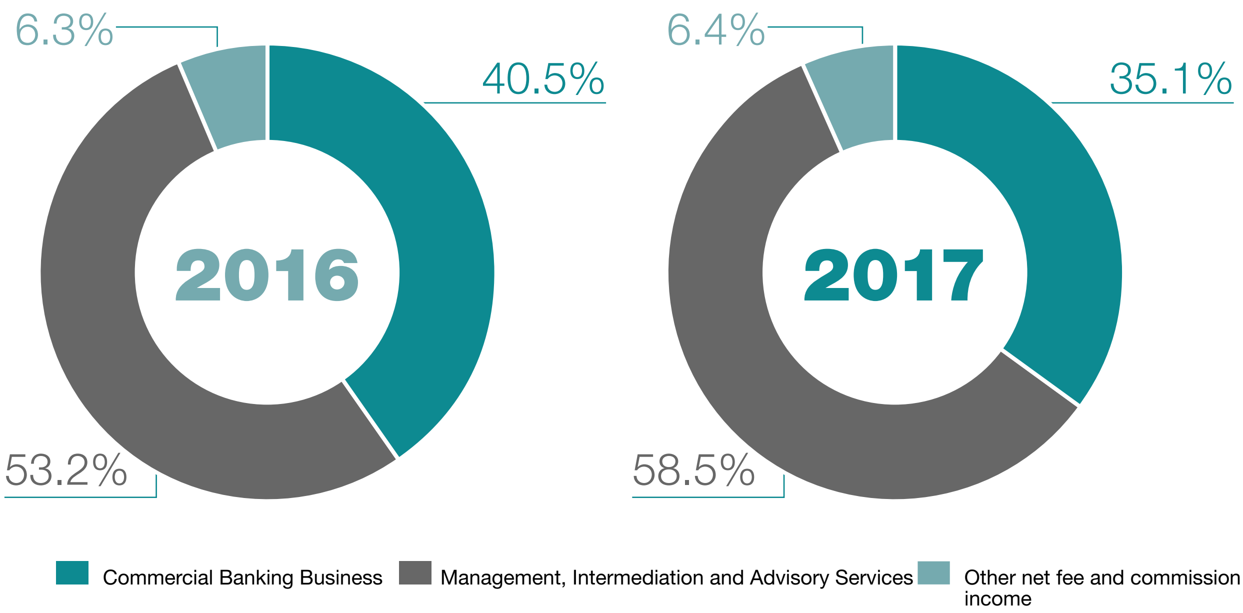
Dividend income

Dividend income from shareholdings and equity investments recognized as financial assets available for sale was stable YOY (Euro 8.8 million as at 31 December 2017) and mainly referred to the dividend regarding the investment in Bank of Italy shares.

Net fee and commission income

Net fee and commission income, which accounted for 44% of operating income (41% in 2016), came to Euro 756.7 million, significantly increasing vs. the previous year (up by +7%): the decrease in fee and commission income from commercial banking activities (down by -8%, mainly due to the decrease in fee and commission income from loan application processing and current account management)) was almost fully offset by the increase in fee and commission income from management, intermediation and advisory services (up by +17%). As regards the latter, the reported figure benefited from the increase in placed volumes of both insurance and consumer credit products (thanks especially to the synergies with the specialist companies of the Crédit Agricole Group, including Agos – the leading player in the Italian consumer finance sector – and CA Assurazioni and CA Vita – for the insurance business).

The amount of net fee and commission income attributable to the Fellini perimeter came to approximately Euro 3.6 million.



Net income from banking activities

The contribution to the Income Statement of net income on banking activities (Euro 39 million as at 31 December 2017) markedly decreased vs. the previous year (down by Euro -22 million), due to the cost for early repayment/settlement of the Lower Tier 2 deposit and to the end of considerable arbitrage trades in government securities recognized as AFS, which were made in 2016.

Other operating income (expenses)

Other net operating revenues came to Euro 15 million, increasing vs. 2016. This aggregate reports positive and negative non-recurring components. Specifically, this item reports, on the one hand, the finalization of a settlement with Intesa Sanpaolo regarding the transfers of branches made in previous years (positive for Euro 20 million) and the price adjustment on the sale of the equity investment in CA Vita (Euro 7 million); on the other hand, it reports the write-down of the equity investment in Mediocredito FVG (written down by -4 million).

The reclassified income statement item reports the effects of the Fellini Transaction for the intervention in Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato.

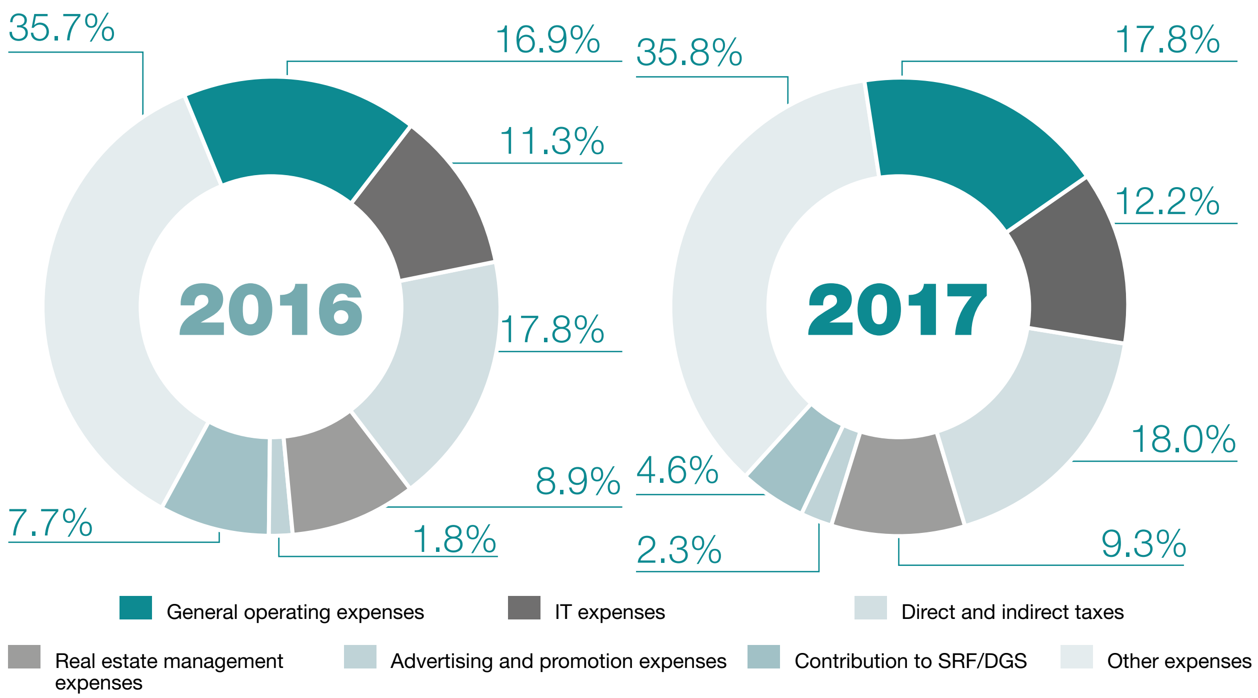
Operating expenses

Operating expenses came to Euro 1,039.2 million, decreasing by Euro 21 million vs. 2016:

- Personnel expenses: markedly decreasing vs. 2016 (Euro 608.3 million vs. Euro 636.9 million); the previous financial year had been impacted by incentives to voluntary redundancy, which had been recognized subsequent to the activation of the Redundancy Plan;
- Other administrative expenses: decreasing vs. 2016 since the costs for extraordinary contributions to the SRF as recognized in 2016 no longer apply;

- Depreciation and amortization: in 2016, significant investments started (for the most part regarding Information Technology initiatives), as did the project activities provided for by the 2016-2020 Strategic Plan, which caused this item to increase vs. 2016 subsequent to the progressive start of actual use in 2017.

Net of non-operating expenses (Single Resolution Fund, Deposit Guarantee Scheme, Bank and Small Investors Rescue Scheme – as well as of the Fellini Transaction), the cost/income ratio came to 57.6%, slightly increasing vs. 2016.



Net Provisions for risks and charges

Provisions for 2017, net of the operations of the Fellini Banks, came to Euro 13.8 million (vs. Euro 17.3 million in 2016) and mainly consisted of provisions for legal disputes with the Bank as the defendant. Taking the Fellini Banks into account, this aggregate increased by Euro 41 million mainly due to the allocation of about Euro 42 million to provision for estimated penalties to be paid for the termination of contracts with commercial partners and IT vendors.

Net impairments of loans

The continuous decrease in the cost of credit was one of the key factors for the Group's positive performance in 2017: indeed, net impairments of loans came to Euro 296.7 million, down by 3% vs. 2016. 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 75 bps vs. 80 bps in the previous year, even with increasing coverage ratios of non-performing loans. Taking the Fellini Transaction into account, the cost of credit decreased to 67 bps.

Profit (loss) on continuing operations before taxes

The profit before taxes on continuing operations came to Euro 353.2 million, increasing vs. 31 December 2016 by Euro 24.9 million (taking the Fellini Transaction into account this figure increased to Euro 806.9 million).

Taxes on income from continuing operations

Current taxes and deferred tax liabilities came to Euro 119.1 million, increasing vs. the previous FY (taking the Fellini Transaction into account this figure decreased to Euro 105 million).

Net profit (loss)

The net operating profit for the financial year came to Euro 250 million (net of all non-recurring components), increasing by 20% vs. 2016. On the other hand, the statutory net profit for the FY came to Euro 690.2 million.

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 2017 came to Euro 685 million vs. Euro 118 million in the previous year.

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.

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	31.12.2017	31.12.2016	Changes	
			Absolute	%
Business with Customers	724,338	770,782	-46,444	-6.0
Business with banks	3,074	9,619	-6,545	-68.0
Debt securities issued	-98,038	-131,975	-33,937	-25.7
Spreads on hedging derivatives	181,559	182,159	-600	-0.3
Financial assets held for trading	81	9	72	
Investments held to maturity	12,138	-	12,138	
Financial assets available for sale	92,618	101,331	-8,713	-8.6
Financial assets and liabilities designated at fair value	-73	-	73	
Other net interest income	-22	168	-190	
Net interest income	**915,676**	**932,093**	**-16,417**	**-1.8**

Net fee and commission income

Items	31.12.2017	31.12.2016	Changes	
			Absolute	%
- guarantees issued	3,908	7,884	-3,976	-50.4
- collection and payment services	44,236	41,170	3,066	7.4
- current accounts	186,658	203,716	-17,058	-8.4
- debit and credit card services	31,758	34,236	-2,478	-7.2
Commercial banking business	**266,561**	**287,006**	**-20,446**	**-7.1**
- securities intermediation and placement	176,342	142,644	33,698	23.6
- intermediation in foreign currencies	4,091	4,020	71	1.8
- asset management	10,366	9,910	456	4.6
- distribution of insurance products	222,916	194,710	28,206	14.5
- other intermediation/management fee and commission income	30,944	25,698	5,246	20.4
Management, intermediation and advisory services	**444,660**	**376,982**	**67,678**	**18.0**
Tax collection services	-	-	-	
Other net fee and commission income	**49,087**	**44,743**	**4,344**	**9.7**
Total net fee and commission income	**760,307**	**708,732**	**51,576**	**7.3**

Net income from banking activities

Items	31.12.2017	31.12.2016	Changes	
			Absolute	%
Interest rates	-1,976	7,866	-9,842	
Stocks	450	913	-463	-50.7
Foreign exchange	5,466	5,232	234	4.5
Commodities	23	17	6	35.3
Total profit (losses) on financial assets held for trading	**3,964**	**14,028**	**-10,064**	**-71.7**
Total profit (losses) on assets held for hedging	**-5,672**	**-1,312**	**4,360**	
Profit (losses) on disposal of financial assets available for sale	**43,129**	**48,850**	**-5,721**	**-11.7**
Net profit (loss) on financial assets and liabilities designated at fair value	**-30**	**-**	**30**	
Profit (Losses) on disposal of debt securities classified as loans		**-**	**-**	
Profit (losses) on banking activities	**41,391**	**61,566**	**-20,175**	**-32.8**

Operating expenses

Items	31.12.2017	31.12.2016	Changes	
			Absolute	%
- wages and salaries	-436,350	-420,284	16,066	3.8
- social security contributions	-115,926	-110,325	5,601	5.1
- other personnel expenses	-58,496	-106,318	-47,822	-45.0
Personnel expenses	**-610,772**	**-636,926**	**-26,155**	**-4.1**
- general operating expenses	-99,629	-98,349	1,280	1.3
- IT services	-69,122	-66,033	3,089	4.7
- direct and indirect taxes	-101,794	-103,797	-2,002	-1.9
- real estate property management	-52,647	-51,942	705	1.4
- legal and other professional services	-31,237	-20,020	11,218	56.0
- advertising and promotion expenses	-13,044	-10,235	2,809	27.4
- indirect personnel expenses	-10,431	-8,800	1,631	18.5
- contributions to SRF/DGS/SPS	-34,538	-44,838	-10,300	-23.0
- other expenses	-170,963	-179,155	-8,192	-4.6
- expenses and charges recovered	253,203	256,528	-3,325	-1.3
Administrative expenses	**-330,204**	**-326,641**	**3,563**	**1.1**
- intangible assets	-71,960	-67,031	4,928	7.4
- property, plant and equipment	-32,081	-29,936	2,145	7.2
Depreciation and amortization	**-104,040**	**-96,967**	**7,073**	**7.3**
Operating expenses	**-1,045,016**	**-1,060,535**	**-15,519**	**-1.5**

Net Provisions for risks and charges

Items	31.12.2017	31.12.2016	Changes	
			Absolute changes	%
- actions to void transactions	-4,498	-2,106	2,392	114
- non-lending-related legal disputes	-6,414	-10,171	-3,758	-37
- repayments to Customers on defaulted securities	1,732	-	1,732	-
- other	-49,039	-5,000	44,039	881
Net Provisions for risks and charges	**-58,219**	**-17,277**	**40,941**	**237**

Net impairments of loans

Items	31.12.2017	31.12.2016	Changes	
			Absolute	%
- bad loans	-204,668	-214,803	-10,135	-4.7
- Unlikely to Pay	-97,522	-102,245	-4,722	-4.6
- Past-due loans	-4,144	-6,007	-1,863	-31.0
- Performing loans	23,154	24,188	-1,034	-4.3
Net losses on impairment of loans	**-283,181**	**-298,867**	**-15,686**	**-5.2**
Expenses/recovered expenses for loan management	-11,112	-7,686	3,426	44.6
Net losses on impairments of guarantees and commitments	-1,592	528	-2,120	
Net impairments of loans	**-295,885**	**-306,025**	**-10,139**	**-3.3**

Comprehensive income

	Items	31.12.2017	31.12.2016
10.	**Net profit (loss) for the FY**	**701,880**	**218,968**
	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	(794)	(3,972)
50.	Non-current assets held for sale	-	-
60.	Share of Valuation Reserves on equity investments measured using the equity method	(1,170)	-
	Other comprehensive income after taxes reversed in profit or loss		
70.	Hedges of investments in foreign operations	-	-
80.	Exchange rate differences	-	-
90.	Cash flow hedges	-	-
100.	Financial assets available for sale	(4,398)	(90,308)
110.	Non-current assets held for sale	-	-
120.	Share of Valuation Reserves on equity investments measured using the equity method	1,125	-
130.	**Total other comprehensive income after taxes**	**(5,236)**	**(94,280)**
140.	**Comprehensive income (Item 10+130)**	**696,644**	**124,688**
150.	Consolidated comprehensive income attributable to minority interest	11,448	6,608
160.	**Consolidated comprehensive income attributable to the Parent Company**	**685,195**	**118,080**

STRATEGIC PLAN AND CORPORATE DEVELOPMENT LINES

STRATEGIC TRANSACTIONS: acquisition of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A. (the "Fellini Transaction")

On **21 December 2017, Crédit Agricole Cariparma finalized the purchase from the Italian Interbank Deposit Protection Fund** – Voluntary Scheme (hereinafter the "Voluntary Scheme") of **95.3% the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A.** (hereinafter the "Banks"), for a **purchase price of €130 million.**

Before the acquisition by **Crédit Agricole Cariparma:**

1. **the Voluntary Scheme carried out the Banks' capital strengthening as agreed** for a total amount of approximately **€470 million**, in order to ensure that the Banks' aggregate **pro-forma CET1 *ratio*** be at least **10.7%**, after impairments;
2. The **Banks finalized the disposal of** (i) **€2.600 million worth of gross non-performing loans** (bad loans and unlikely-to-pay) through **a securitization transaction** and (ii) **€286 million worth of gross non-performing loans** (bad loans and unlikely-to-pay) through a **direct disposal** transaction.

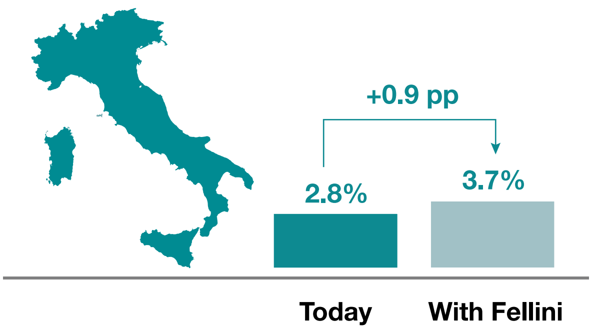
The three Target Banks are cornerstones in the communities they operate in and are still **in full business operation, with over 300 thousand Customers**. The plan for the Banks' integration aims at **enhancing their distribution networks inside the Group**, leveraging on their strong bond with their communities, also by **developing their Human Resources.**

This acquisition allows **depositors to be protected, jobs to be retained and the Banks to be enhanced**, since they will benefit from being integrated into a strong and international banking group, with significant positive externalities on the economy of the communities of operations and on the interests of the various stakeholders.

This transaction stands on **sound strategic reasons for the Group**, thanks to Crédit Agricole Cariparma's model focusing on the communities it operates in and to its proven integration ability:

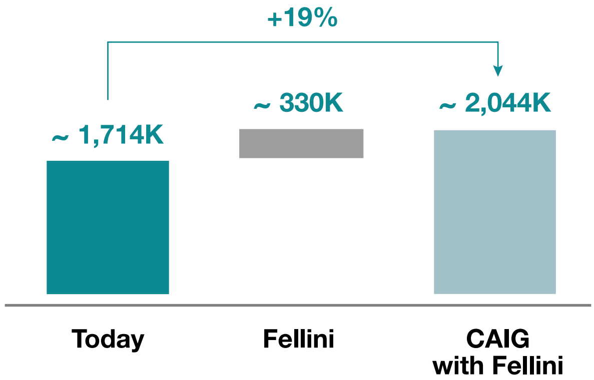
1. **Development of the Customer-focused Proximity Bank model:** The integration of the Banks into Crédit Agricole Cariparma will enhance the Customer-focused Proximity Bank model, will increase market shares at a national level and ensure a leading position in the Romagna area, as well as significant strengthening of operations in Tuscany. Specifically, with this transaction, Crédit Agricole Cariparma has increased its market share at a national level by 1%, strengthened its role as leading player in the Emilia-Romagna Region (with its market share increasing from 6% to 11%) and has increased its operations in Tuscany (with its market share up from 2% to 6%).

Market share in Italy

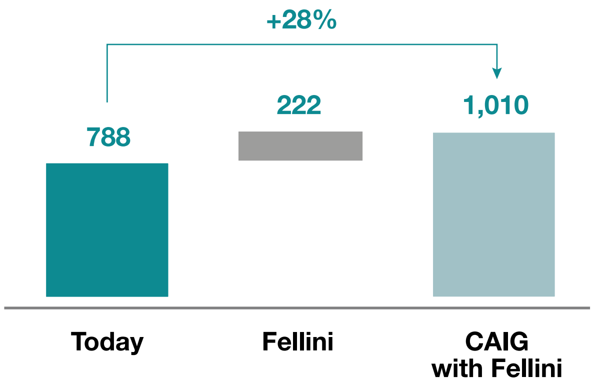


2. **Growth in long-standing areas of operations with high potential:** With the transaction, Regional Banks could be acquired which operate in attractive sectors and have long-standing business relations with manufacturing, tourism and agri-food players.
3. **Increase in "size" and in competitiveness:** With the acquisition, the Group has grown in size, increasing its customer base by about 20%, thus exceeding 2 million Customers, and further improving profitability. With the transaction, more than 200 branches have been acquired, which are very complementary in geographical terms.

Number of Customers



Number of branches



4. **Maximization of industrial synergies:** Thanks to the transaction, the Group will be able to achieve significant industrial synergies and, thus, to create value in the medium-long term, leveraging on the Group's capabilities, as done for previous integrations.

The transaction **falls within the scope of the «Ambizione Italia 2020» strategic plan of Crédit Agricole Cariparma** and is intended to contribute to the increase in the operations of the Crédit Agricole Group in Italy, its second domestic market.

The Group has **prepared a 2016-2020 forward-looking plan aimed at ensuring that the Target Banks reach adequate profitability**, by improving the cost of credit and by generating synergies. The enabling factors to achieve the plan objectives are:

- Deconsolidation of the loan portfolio;
- Strengthening the capital of the 3 Banks through their preliminary recapitalization by the Voluntary Scheme in order to reach a target aggregate/combined CET1 of 10.7% in order to enable their commercial revival.

The **main guidelines which the forward-looking plan is based on** are:

1. **Optimization of their organizational structure,** that is to say the optimization of the proportion between the staff of central structures and of the network, in line with the Group's Best Practices, and the implementation of Crédit Agricole Cariparma network organization model to the Target Banks (counter-free branches and portfolio composition);
2. **Evolution in the Network geographical structure,** that is to say, cost reduction by revising the distribution network footprint (closing branches that overlap in the same geographical areas) and the implementation of Crédit Agricole Cariparma's distribution model (Retail Banking Management Areas on site) as an enabling factor for commercial revival;
3. **Increasing the efficiency of the operating machine and evolving the IT platform,** that is to say, increasing the efficiency of the Target Banks' operating costs, leveraging on economies of scale and on the expertise of Crédit Agricole Group Solutions, as well as integration in the Group's IT system (to date, the IT system of the 3 Banks is outsourced from an external provider, namely CSE);
4. **commercial revival,** that is to say increasing effectiveness and commercial profitability, by extending the commercial policies and product range (also through the Group Product Factories) of Crédit Agricole Cariparma, implementing the Group's organizational models, optimizing the Funding structure and taking the relevant cost in line with the Group one.

STRATEGIC PLAN

In 2017, the Crédit Agricole Italia Banking Group continued to implement its "Ambizione Italia 2020" Strategic Plan, which started in 2016, consistently with the new Medium Term Plan to 2020 prepared by the Parent Company Crédit Agricole S.A..

The Plan objective is to strengthen the Group **as a Customer-focused Proximity Bank with distinctive positioning in the Italian market, based on customer and community centrality, on multichannel models and on digital innovation, investing in people and talents, leveraging on its belonging to the Crédit Agricole Group and on its strength in order to start a new phase of organic growth on the key segments of the market and 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 the new channels 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

The project to enhance the relationship with Customers aims at establishing a high-quality relationship with Customers, by providing high-value advisory services and by constantly maintaining a high level of service. The project is being implemented with activities across all the structures of the Group, aimed at ensuring constant improvement in the Customer Experience, in a more and more multichannel mode.

Specifically, in the reporting year the following actions were implemented:

- Extension of the listening system, starting surveys on Customers of all channels, including Customers of the Financial Advisors and Internet users;
- Dedicated training programs, to continue in the challenging Change Management process;
- Targeted communication, both internal and external;
- Revision of the processes in order to streamline operations for Customers and Colleagues.

«Around the Branch» multichannel integration

In order to respond to the fast changes that technological innovation has been generating in the market and in Customers' behaviour, the Crédit Agricole Italia Banking Group has implemented several activities aimed at developing a multichannel approach that is different in accordance with the actual needs of its Customers, with digital integration around the Branch. Such integration is based on the following strategic directions:

- **Innovation of digital platforms,** in terms of evolution of the existing platforms and launch of innovative ones. Two of these are BankMeApp, which has been designed for teenagers and is the result of the synergies within the Crédit Agricole Group, and the Nowbanking App that is dedicated to Small and Medium Enterprises;
- **Branch-Digital integration:** evolved tools for interaction with Customers have been implemented, including remote interaction (chat/audio/video), for selling banking products and providing advisory services also remotely, with the possibility for Customers to make transactions remotely;
- **Phone Bank role** as the center of the new multichannel experience, going from a role of provider of support and assistance to a pivotal role in the relationship. The project started one year ago and has included the launch of new relation-building activities addressed to Customers. The organizational structure has been significantly strengthened in terms of resources, tools and skills, also providing for a "multi-center" organization throughout the communities the Group operates in;
- **Increasing Digital Acquisition,** through dedicated web portals (Conto Adesso, Mutuo Adesso), and important innovations in the opening process (e.g. online account with a selfie). For Customers that do not live in the communities where the Group has branches or that prefer to interact with their Bank remotely while all the same having a dedicated account manager, the new Virtual Branch has become operational.

Thus, Customers will have the possibility to decide at any time with which modality they prefer to interact with the Bank.

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

New Channels driving growth

In order to drive the Group's growth, the Financial Advisors new channel continued to be strengthened and now consists of about 150 Advisors that were recruited both from inside the Group and from the outside. Moreover, important cooperation activities were started within the CA 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 focusing on the following domains:

- **Small Business and Agri-Food:** Specialist Centers have been set up for "core" Customers and a new dedicated service model has been implemented for the Agri-Agro (Agri-Food) segment. One year after inception, about 50 Small Business Centers have been set up with 55 dedicated account managers specializing in the Agri-Food business;
- **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 WM:** the Private Bankers Network, the technological tools made available to this channel and the range of advanced services to Customers continued to be strengthened also in 2017.

3. PEOPLE AND DEVELOPMENT

The challenges that the Crédit Agricole Italia Banking 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 the Group's future. In the reporting year, some important strategic activities were started:

- **Recruitment plan (approximately 300 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 the Group's growth;
- **Generational Turnover:** Approximately 300 staff members exited after joining the Solidarity Fund for early termination, with concomitant entry of about 100 young people
- **Continuous development of our employees,** through managerial training, career and job rotation plans, exchange programs with Italian and foreign entities of the Group. Specifically, the **Alisei 2020** project was started and aims at making all people active promoters of their professional development;
- **In terms of gender and worklife balance** specific policies have been further strengthened dealing with gender and diversity, corporate welfare (fringe benefits, etc.), on top of an ambitious Smartworking program that, in a few months, was joined by over 700 employees.

Operational Machine renewal plan

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

- Continuing with the Group's **Real Estate Big Projects**: "Crédit Agricole Green Life" – the new Management Headquarters of the Group in Parma –, the renovation of the Premises on Via Armorari in Milan and the Villini Project in Rome;
- **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 has been designed to be based on Customer centrality and in order to ensure continuous improvement in the efficiency levels of our Branches.

To date, approximately 40% of the Network works based on a counter-free 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, the geographical location of branches has been revised, optimizing their presence in extensively covered areas, especially for low-traffic small/very small centers. At the same time, new development methods have started being implemented 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

In full compliance with the ECB regulations, the activities in the year focused mainly on the streamlining and efficiency enhancement of lending processes, with special focus on the reduction of NPLs and planning the automation and engineering of the credit claim collection component.

Enhancement of the efficiency of processes

Considerable investments were made in projects aimed at the streamlining and digitalization of activities, in order to ensure continuous improvement in the Group's efficiency. The subsequent downsizing has made resources available, who, duly trained, have been allocated to new jobs, for the strengthening and support of the new activities provided for by the MTP (for example Financial Advisors and Phone Bank).

5. REBRANDING

In 2017, the Rebranding activity was completed, which resulted from the Group's strategic choices as regards its image as perceived by Customers. This project provided for real estate and technical actions, such as those for the replacement of all signs throughout the distribution Network of the Banks of the Group. IT and logistic actions were also carried out, to replace the logo on printed materials, contracts, statements of account, preprinted forms and on Home Banking systems, Web applications, Apps and ATMs of the Group, in order to upgrade the pages viewed by Customers.

In October and November, a new brand positioning campaign was launched and has brought the Group's new signature to the market: "Una grande banca, tutta per te" ("A great big Bank, all for you").

Thanks to the campaign, the Group's rebranding process could be consolidated and brand awareness could be increased, by conveying the positioning of the Crédit Agricole Italia Banking Group: a great big bank that operates in actual fact through people, financial products and services always aiming at Customers' full satisfaction and at the realization of their projects, able to convey certainties and soundness thanks to its belonging to a big international entity.

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CORPORATE DEVELOPMENT LINES

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

RETAIL BANKING DISTRIBUTION CHANNELS

In the reporting year, the Crédit Agricole Italia Banking Group further strengthened its **Customer-focused proximity bank** model, meeting households' requirements by developing dedicated products and services.

Mortgage loans and other loans

As regards home loans, in 2017 the Crédit Agricole Italia Banking Group aimed at **customization and digitalization of the products and services it provides**: in April, Mutuo Crédit Agricole (Crédit Agricole Mortgage Loan) was launched, a **a fully adjustable and customizable mortgage loan.**

Customers can choose not only **the type of rate** (fixed, variable or variable with ceiling rate), but also the **flexibility options** and **the benefit** to be combined with their mortgage loans. Customization elements (services and benefits free of charge and flexibility options) are intended to provide households with support, both upon taking out the loan, which the most challenging time in financial terms, and throughout the loan duration. Thanks to the flexibility options provided, small contingencies can be met with the "skip instalment" solution or with the suspension of instalment payments upon the most important events in life (marriage, birth of a child or material changes in income).

As regards **digitalization**, "Mutuo Adesso", the online platform for mortgage loans launched in 2016, became fully operational; it gives a quote for the products in the Group's range and provides Customers with all the necessary "educational" information on the products.

In terms of measures supporting access to credit, the Group confirmed the adoption of the ABI-MEF "First Home Guarantee Fund" protocol, which favours access to credit by Customers, giving priority also 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.

Reforestation initiatives continued regarding the **Gran Mutuo Green** home loan promotion, which provided for a tree to be planted for every home loan taken out, in areas affected by major deterioration or at risk of hydrogeological instability. In 2017, the Group had 3,500 trees planted in the Municipality of Pietrasanta, the "La Versiliana" Park and the Municipality of La Spezia.

Transactional products and electronic money

Speaking of **Current Accounts**, the "Conto di Conoscerti" new product, which was launched in 2016, has proved well fit to meet the requirements of traditional banking Customers in the "Individuals" segment: in 2017, over 33,000 new accounts were opened, coming to a total of over 56,000 accounts. Moreover, Customers benefited from the **streamlining** action started on the **account opening process at the branches**, which has allowed Customers to dedicate more time to advisory services and to the relationship with their account managers.

As regards **e-money products**, the Crédit Agricole Italia Banking Group continued to implement its development strategy focused on **innovation.**

The range of products supplied by the Group was extended with **a new evolved debit card**, EasyPlus, which meets the multitask and flexibility requirements expressed by Customers. With this new card, Customers can make purchases on the Internet safely, can customize their PIN, make contact-less transactions at enable points of sale. Moreover, the Group has implemented the Apple Pay services and, thus, has enabled its Customers that are Nexi card holders to virtualize their cards and make fast, simple and safe payments using their phone.

Bancassurance

As regards motor-vehicle insurance, the range of products was extended with the inclusion of the **new "2Ruote" (2 wheels) Policy**, the line dedicated to mopeds, motorised quadricycles and motorbikes. This product has been designed to complete the range of insurance products ensuring high **customization**. Customers may benefit from **suspension**, free of charge, during the contract term of validity, as well as from **other easy terms** (in case of motor cars covered with the Protezione Guida insurance product). Thanks to **the dedicated APP**, Customers can rely on immediate assistance in case of engine failure or accident and can immediately open a claim.

The launch of the new product was accompanied by a new **communication line targeting 2Wheels**, both for Customers and for Employees: an actual tour of all work premises and branches was made, with entertainment focusing on Protection.

In 2017, within the scope of the Fast Quote project for automated quotation of Civil Liability coverage, new channels were implemented to collect registration numbers of Customers' cars and motorcycles. Specifically, Customers could enter their registration numbers in the Totems at Branches, in their Internet Banking account or in the APP and interactive tablets located in a corner of the CA Gallery in Milan, and receive their Civil Liability coverage quote directly on their mobiles, also via whatsapp. Thanks also to these new media, in 2017 MV liability insurance quotations increased by 20% YOY.

In 2017, the range of insurance products dedicated to borrowers was supplemented with the "**Protezione Finanziamento Ramo Danni**" non-life creditor protection product, which has annual premium, and with the "**Protezione Leasing**" lease protection product, which has an annual premium payable in monthly instalments. These recurring premium solutions are new for the Creditor Protection segment that generally features insurance products with multi-year duration and with single premium to be paid in advance. Thanks to the new extended product range, Customers can choose the insurance package that, in **terms of coverage and type of premium, is the best for their requirements.**

Wealth Management

Once again in 2017, the Wealth Management segment was constantly focused on innovation in the products and services provided.

Product innovation:

- The main new development in the reporting year was the launch of the new Individual Saving Plans (Italian acronym PIR) compliant products. In March 2017, the Crédit Agricole Italia Banking Group started to place Amundi SGR PIR, and later an insurance solution in cooperation with Ca Vita, which won a prize within the "Future Bancassurance Awards 2017" for product innovation. This solution consists of multiline policies that have been designed to ensure optimal balance between investment reliability and profitability in the long term, while combining PIR tax advantages with the advantages that are specific for insurance products. In 2017, nearly 35,000 Customers of the Group underwrote an Individual Saving Plan (Italian acronym PIR);
- As regards collective investment schemes, the product offer has been increasingly shifting towards "traditional" solutions as opposed to "funds with pre-set subscription window". The range of traditional funds was supplemented with:
  - The launch of Pioneer products: with Pioneer becoming part of the Amundi Group, the range of products and services that can be provided to Customers has become even richer thanks to new global expertise and new investment solutions;
  - The launch of the CPR AM range, the independent and innovative financial boutique, 100% held by Amundi, a center of excellence for thematic equity investing, proposes, through a full range of skills, flexible investment solutions that have been specifically designed to meet investors' needs and requirements;

    - Constant updating of the quality of the catalogue of Fund and SICAV products of unrelated Companies intended for Private Banking Customers;
- As regards insurance, in addition to the new Individual Saving Plan (PIR), the quality of assets was improved thanks to new multiline and unit-linked solutions intended for Retail Banking Customers. For Private Banking Customers, multimanager insurance products proved once again valuable ensuring the provision of advanced and bespoken advisory services;
- As regards Asset Management (AM), new solutions were proposed with higher quality contents;
- Relying on Amundi expertise in treasury management, liquidity deposit of legal persons has been added to the fund catalogue.

Tool and service innovation:
- The efficiency of branch commercial processes has been increased (New Provision of Advisory Services, Italian acronym NEC) and advisory services started being provided also remotely (WEB Collaboration) in order to implement a more and more innovative process for the provision of financial advisory services, while reducing operational risks, streamlining forms, reducing the number of signatures to be affixed by Customers and, thus, improving Customer experience. Moreover, the New Provision of Advisory Services has been extended to all savings and investment products;
- The Recommended Portfolios, which have been designed with specific solutions allowing reduction of required after-sale activities and more efficient portfolio diversification and which were launched in 2016, achieved good success with investors. In 2017, they were implemented and maintained with products of our commercial range, always ensuring that they were highly tailor-made for Customers' requirements;
- Information dissemination actions were started in order to ensure that all account managers in all commercial channels be constantly up to date and aware of the performances of financial markets.

All necessary upgrades were made in order to comply with all the new provisions laid down by the EU legislation, such as MiFID II and the Packaged Retail and Insurance-based Investment Products ("PRIIPs") Regulation, in view of their entry into force at the beginning of 2018.

Small Business and Agri-Food

In 2017, the Crédit Agricole Italia Banking Group developed important initiatives aimed at providing support to the businesses based in their communities of operation and to local economies, fostering growth and access to credit, while proving once again able to work in synergy with the main Local Public Institutions:
- It paid more than 1,400 contributions in favour of Customers hit by natural disasters for a total amount of about Euro 14 million;
- 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.

The range of products and services provided was extended and supplemented with important innovative features:
- As regards loans, two new loan products were launched, namely Flexibusiness and Mutuo Ordinario, both featuring high flexibility in terms of duration, amounts and type, and fit to quickly meet every requirement associated with business financing, irrespective of size and sector of operation;
- A dedicated range of products has been developed for NONPROFIT Organizations and for all entities and associations, to enhance proximity to communities and social commitment, as well as to create new development opportunities for the Distribution Network;
- The new range of products includes dedicated current accounts and the possibility for the Associations to be paid in advance their receivables from the Italian Inland Revenue Agency regarding "five per thousand' contributions that Italian taxpayers may allocate to support the nonprofit sector.

At the beginning of 2017, the POS product range was extended with the launch, in cooperation with the provider Nexi, of two new products:
- PayM@il, within virtual POS, to accept transactions via e-mail correspondence;
- Wi-Fi POS, a POS physical device using the store wireless connection.

The new products have allowed Customers to have more flexibility in choosing the types of POS terminals, meeting the increasing requirements for **mobility, security and user-friendliness.**

Yet another important element within the innovation field is the fact that, since 2017, all the terminals of the Group have been accepting payments made with Smartphones through the new digital payment systems, such as Apple Pay, Android Pay and Samsung Pay.

Since January 2016, through Internet Banking, ATM and at its Branches, the Crédit Agricole Italia Banking Group has been providing its Customers with the possibility of paying amounts due to local and national Public Administrations. Since the beginning of December 2017, to complete this range of services, the Group has been on the list of Banks that can be selected on the website of every Public Administration Entity to pay amounts due by credit card.

PRIVATE BANKING DISTRIBUTION CHANNEL

In 2017, the advisory scope was further strengthened by developing advisory services and products, specifically aimed at enhancing Customer centrality.

As regards services, the strong commitment to accelerating the technological evolution of services (remote provision of advisory services, integrated reporting, financial communication) focused on enhancing the Banker's professional doing and their Customers' satisfaction. The explicit remuneration advisory service has been especially boosted, which operates in a "fee on top" logic and is MiFID-compliant.

In terms of product development, worth mentioning are the release of the first target maturity fund set up by Amundi SGR and dedicated to Private Banking Customers, and the launch of the new Individual Saving Plans (Italian acronym PIR) range with dedicate pricing of a dedicated multiline insurance policy (Multi PIR Private).

As regards loans, in the reporting year the credit advisory team was strengthened, which provides the Private Banking Network with support in defining the most suitable loan solutions for Customers.

Constant cooperation with the Corporate Banking channel continued to be ensured in the management of specific requirements of Private Banking Customers that are also entrepreneurs.

Moreover, in the reporting period, very considerable actions were carried out:

- Implementation of an important behavioural and commercial training programme, which also covered technical and specialist matters, able to support the cultural change of the Private Banking Network as required subsequent to the continuous evolution in the competition scenario. The training programme had two objectives: strengthening management behaviours and skills of Structure Heads and, at the same time, promoting the Bankers' commercial culture for the management and development of the Customer portfolio;
- DOXA-certified survey of Customer satisfaction with excellent results obtained by the Private Banking channel;
- Survey carried out in cooperation with GFK Eurisko on Private Bankers' satisfaction and on the image of Private Banks in Italy.

FINANCIAL ADVISORS

Consistently with the "Ambizione 2020" medium-term plan, in 2017 the Financial Advisors channel enhanced its operations in geographical terms with the opening of four new Markets – thus taking the number of Financial Advisors Markets to nine at the end of 2017 – and with the recruitment of another 80 Financial Advisors, taking the total to 150 resources at the end of the year.

Consistently with its mission – i.e. creating value through the development of assets and high-potential Customers – in 2017 the Financial Advisors channel posted considerable growth in assets under administration and in the Customer base, thanks to effective portfolio diversification in accordance with specific needs, and to the use of the so-called “Recommended Portfolios” (allowing reduction of the necessary after-sale activities and more efficient portfolio diversification).

Special care was placed in providing Financial Advisors with tools for the planning of their commercial schedule (CRM NowDesk) and in ensuring technological evolution of the services provided to Customers with the implementation of “Assisted Sale” and “Web Collaboration”, in order to improve both Customer experience and the service model effectiveness.

In 2017, the first IRC Survey started on the customers of the Financial Advisors channel with very good outcomes and with outstandingly excellent results regarding the Recommendation Index. Customers especially appreciated elements such as: skills and professionalism, but also proactivity and the ability to provide bespoken services.

The Group has made training programmes available regarding technical-specialist matters, legislation and regulatory matters and behavioural skills, in order to enhance a sole and distinctive commercial approach able to implement a winning and high-value advisory service model.

CORPORATE BANKING DISTRIBUTION CHANNEL

The Channel continued to provide support to enterprises both through its normal lending activity and through the development of products and services, in order to foster the growth of its Customer enterprises and the strengthening of the social and economic fabric.

The Corporate Banking channel further increased its range of products and services and structured its operations based on a coordinated set of activities and actions, such as:

- Support to export and internationalization, thanks to specialist advisory services, to a dedicated line of products and to the establishment of commercial agreements, also with countries outside the EU;
- Further development in structured finance, in which the Crédit Agricole Italia Banking Group has become a leading player;
- The development, in synergy with the Group’s entities, of innovative products, intended especially for the agri-food sector;
- The acquisition of new Customers also in areas where the branch network is not directly located, establishing also new cooperation arrangements with local enterprise associations;
- The “Preauthorized loans” initiative that is dedicated to Customer enterprises and can quickly provide them with the liquidity they need to make investments and to finance growth plans;
- 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 Customers hit by the earthquake through specific credit lines with dedicated allocations, such as the “Disaster Events Allocation” to pay for the damage suffered by individuals and enterprises.

The initiatives listed below aimed at supporting enterprises in their growth are to be specifically mentioned:

- The “ITACA (ITAlian Corporate Ambition) Project”, included in the Strategic Plan, aims at improving the products and services intended for the Mid-Corporate segment, managing and strengthening relations with Customers at top management level, and at developing synergies inside the Group;
- “Misys Trade Portal” is an integrated e-banking solution that makes a multifunction Internet platform available to Customers for online management of Import/Export letters of credit, international guarantees and Standby Lc.

DIRECT CHANNELS AND DIGITAL TRANSFORMATION

In 2017, the Group continued to implement its digital transformation project focused on the acquisition of new Customers, on widening its multichannel product range, on developing its catalogue of remote products and services and on the promotion of and incentive to the use of direct channels.

The 2017 strategy was implemented with the following main project lines:
1. Digitalization of processes and products aimed at acquisition and cross-selling objectives;
2. Customer centrality: focus on open innovation initiatives dedicated to young people;
3. Development and strengthening of the domains the Group excels in: Small Business project;
4. Efficiency and development optimizing Customer experience.

1. Digitalization of products and processes aimed at acquisition and cross-selling objectives

In order to improve its online positioning and to acquire new digital Customers, the Group engaged in several activities with high added value. The following ones are specifically reported:
- Increase in its online visibility with Google, in terms of constant presence on AdWords, and improvement in web site positioning on search engines through SEO (Search Engine Optimization) activities;
- Usability testing on the Conto Adesso and Mutuo Adesso websites with Google and TSW, aimed at improving user experience and at increasing the conversion rate of websites;
- Continuous presence on the web through the most widely used search engines in the Italian scenario (Google, Yahoo, Bing), online comparison websites, bannering on the leading Italian websites and Direct Email Marketing (DEM) activities;
- Establishment of a partnership on an exclusive basis with Immobiliare.it, the leasing real estate portal in Italy, to generate leads as regards mortgage loan products.

Moreover, in 2017 the Conto Adesso sales funnel improved and the perimeter of online sold products widened. In terms of projects, developments in the following products are to be reported:
- “Conto Adesso Selfie”, with a new identification process through Selfies for new Customers;
- Concurrent and responsive “Conto Adesso”, which optimize navigation using portable devices. Aid initiative in cooperation with the Gaslini Foundation;
- “Fastquote” and Civil Liability quotations via Whatsapp: car and motorbike insurance quotations can be obtained through Internet banking and mobile banking. MV liability insurance quotations can be obtained through Whatsapp;
- “Agos4Now”, *Instant credit* App. Using a 100% mobile solution, Customers can apply for loans and be informed in real time of the outcome of their application;
- “Virtual Branch”. A new service model to manage “Conto Adesso” Customers living in places where there are no branches, which is based on advanced advisory services;
- “Pilota Gestore multicanale” (Multichannel Manager Pilot). A new service model with remote interaction between Account Managers and Customers through chat/videochat, in order to provide advisory services and to sell products/services;
- “Marketplace”. Creation of new synergies thanks to the possibility to underwrite products by and between employees of the companies of the Group, through a single shared portal.

2. Customer centrality: focus on open innovation initiatives dedicated to young people;

The Group has developed high added value services for idea incubation and value generation aimed at supporting not only Customers but also prospects (teens, millennials):
- Ca’ Foscari CartaConto: Development of a fully online process for the activation of banking functions of the multiservice card distributed by the Ca’ Foscari University. It is a card that “can open many doors” for the University employees and students. It provides them with additional services within the University scope and special rebates, as well as access to Crédit Agricole products;
- BankMeApp: An innovative App that provides teenagers between 13 and 17 years old with the possibility to manage their pocket money and a wish list of future purchases, while providing parents with a support and control tool in their children’s financial education;
- BankMeApp in School: a pilot project for financial education and innovative teaching carried out by and between the Group and the students of 5 schools based in the community it operates in.

3. Development and strengthening of the domains the Group excels in: Small Business project;

The Small Business project was implemented to pursue the objective of investing in the evolution of digital services dedicated to this Customer target, in order to make such dedicated products and services more attractive, to contribute to the increase in the Group's Customer base and to improve Customer Experience. Specifically, in the reporting year the following activities were carried out:

- Nowbanking App for SMEs, in order to ensure that Customers' requirements are listened to and to provide services that are better and better able to meet the target's specific requirements, an evolutionary upgrade was developed for the pre-existing Mobile platform, with basic banking services along with exclusive services for instruments used daily (Electronic bank receipt (RIBA) and Bills);
- New Nowbanking for Small Enterprises, within the more general scope of New Nowbanking restyling, the Nowbanking for Small Enterprises was launched in its pilot stage and focuses on Customers' specific requirements, organized by need ("pay", "consult", "save", "manage" logic).

4. Efficiency and development optimizing Customer experience.

Within the momentous overhaul of the regulatory framework underway, the Group has implemented evolutionary upgrades of its existing platforms and improved the login process. The following ones are specifically reported:

- "TouchID": New mode for Customers' identification for access and authorization of order-giving transactions;
- "Nuovo Nowbanking Privati" (new Nowbanking for Individuals): Graphic restyling and usability upgrade of Internet Banking, in accordance with 3 scopes of proximity to users: their needs, their savings, their bank. Three key features: customization, proximity, multichannel mode.

AWARDS

The Group's experience, expertise and commitment were again acknowledged in 2017 with important awards:

- Milano Finanza Global Awards 2017 – Prize for the Best Retail Bank, as well as the «Value Creator» prize as leading Bank in its communities;
- Top Employer 2017 certification;
- Within the "2017 Future Bancassurance Awards", the Group won the prize "For innovation in Multimanager schemes with the Strategia PIR and Multi Pir Private CA Vita products".
- The prize for innovation for Retail Customers awarded by the Italian Banking Association (ABI): bank, family and young people – BankMeApp;
- The Prize of prizes for innovation awarded by the COTEC Foundation – BankMeApp;
- Honourable mention within AIFIn Financial Innovation Italian Award, New Retail Services category – BankMeApp at School;
- Honourable mention within AIFIn Financial Innovation Italian Award, Distribution Channels and Customer Experience categories – Conto Adesso Selfie.

THE WORKFORCE

As at 31 December 2017, the Group's staff consisted of **8,146** employees that can be broken down by entity as follows:

RESOURCES ON THE EMPLOYEE LEDGER	31.12.2017
Crédit Agricole Cariparma	5,257
Crédit Agricole FriulAdria	1,461
Crédit Agricole Carispezia	709
Crédit Agricole Leasing Italia	55
Crédit Agricole Group Solutions	664
Total Resources of the Crédit Agricole Italia Banking Group (before the Acquisition)	**8,146**

In 2017 at the Group level, net of contracts transferred/acquired, 327 resources were recruited vs. the exit of 450 resources.

New recruitments mainly regarded the Ambizione Italia 2020 Strategic Plan and included 100 young people that were recruited based on the Solidarity Fund for early termination.

The staff consists by 97.89% of employees with permanent employment contracts, while, in terms of gender, women account for 48.54% of total resources.

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 Crédit Agricole Carispezia in the Liguria Region; 53% of the Group staff works in these three Regions.

The employees' average age is 47 years (breaking down by category in years point months – Senior Managers 53.03 – Junior Managers 49.07 – Professional Areas 44.05), whereas the average seniority came to 20 years and 3 months (breaking down by category in years point months – Senior Managers 15.02 – Junior Managers 22.01 – Professional Areas 18.08).

Subsequent to the acquisition of the three Savings Banks, the Group has now more than 10 thousand employees on staff, and the relevant breakdown is given below:

RESOURCES ON THE EMPLOYEE LEDGER	31.12.2017
Perimeter Before the Acquisition	8,146
CR S. Miniato and subsidiaries	661
CR Rimini	660
CR Cesena and subsidiaries	804
Total Resources of the Crédit Agricole Italia Banking Group	**10,271**

The staff of the newly/acquired companies consists by 99% of employees with permanent employment contracts, while, in terms of gender, women account for about 51% of total resources.

The newly/acquired companies operate mainly in the Emilia-Romagna and Tuscany Regions, where over 92% of their staff works.

In 2017, the "*Ambizione Italia 2020*" Medium-Term Plan (MTP) continued to be implemented throughout the Group; it also provides for several significant actions on staff ("Resources and Development" Pillar) aimed at investing in people's training and growth, at attracting and enhancing new talents, from the outside and from the inside, and at investing in digital operations, risk management and processes, at continuing to innovate and optimize the Branch model.

In this scenario, an activity was carried out for the segmentation and new portfolio composition of Retail Customers aimed at designing and implementing a service model that is more suitable to Customers' new "habits" and requirements, with subsequent mobility of resources in job and geographical terms.

Consistently with the Medium Term Plan, training was also focused on, throughout the Group and at all levels. Indeed, over 48,956 thousand man-days worth of training were provided involving 96.6% of the staff, thus substantiating that training, carried out through different distribution channels, is one of the key drivers for the Group development.

As regards the actions aimed at the growth and enhancement of people, initiatives continued, implementing Group projects (Open Talent and Who Are You) aimed at ensuring especially crosswise and interfunctional development of the Bank's young talents.

Moreover, again at Group level, an important project was started for surveying the skills of all Staff (Alisei 2020). In the reporting year, some internal communication initiatives were carried out aimed at fostering open and direct discussion and interaction, as well as at promoting awareness and change.

As in the last few years, also in 2017, Cariparma Crédit Agricole was certified as a Top Employers 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

In accordance with the "*Ambizione Italia 2020*" Medium Term Plan, significant innovations and investments are being made 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 subsequent professional conversion.

In this perspective, on 29 July 2016 an agreement was signed providing for 300 resources to access the Solidarity Fund; the agreement was actually performed in 2017 with the exit of 290 people, of whom 211 were employees of Crédit Agricole Cariparma, 38 of Crédit Agricole FriulAdria, 15 of Crédit Agricole Carispezia and 26 of Crédit Agricole Group Solutions. The remaining exits to complete the number provided for in the Agreement shall take place in 2018.

In this scope, as provided for by the Plan, in order also to fulfil a need for generational turnover, 100 young people were recruited by the various Companies of the Group.

Within the project for the acquisition of the three new banks, Solidarity Funds were set up for Cassa di Risparmio Rimini and Cassa di Risparmio San Miniato, which, along with the one for Cassa di Risparmio Cesena, which was set up in 2016, provide for the termination of 271 people, of whom 184 already exited on 1 January 2018.

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 that adjusts them to its own reference scope and submits them to the Board of Directors of each Company (for Crédit Agricole Cariparma on 23 March 2017) and, then, to the single General Meetings of Shareholders for final approval (for Crédit Agricole Cariparma on 27 April 2017).

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 and skilled resources;
- Merit recognition in order to appropriately acknowledge the resources' personal contribution;
- Actual value creation and orienting the performances of the entire staff towards short-, medium- and long-term objectives, within a reference regulatory framework designed for proper control of corporate risks, both present and prospective, 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, both 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.

The Group Remuneration Policies for 2017 were essentially in line with those for the previous year.

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

Internal Customer Satisfaction

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 seven 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 2017, the Human Resources Department held in-depth analysis meetings with the structures that showed problems in previous assessments or that wanted to hold specific 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, as well as 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 and management rest of four main guidelines:
- The management of interest rate risk;
- The management of liquidity risk;
- Capital management;
- Pricing management and governance.

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

As regards liquidity, refinancing strategies led to diversification of sources, through the issue of Covered Bonds, access to the EIB funds and TLTROs II.

Specifically, in 2017, two new issues of Covered Bonds were made on the market: In March 2017, the Group places Covered Bonds for Euro 1.5 billion in a dual-tranche format with maturities at 8 and 12 years, whereas in December 2017 it placed Covered Bonds for Euro 750 million with 8-year maturity. Thanks to those issues, funding could be further stabilized at reasonable costs diversifying maturities over time.

In January 2018, the Group made another issue of Covered Bonds on the market for Euro 500 million with 20-year maturity. This issue, along with the one in December 2017, has achieved very early completion of and has exceeded the funding plan for the next financial year.

As regards capital management, consistently with the directions given by the Controlling Company Crédit Agricole S.A, in 2017, AT1 (Additional Tier1) instruments were issued for a total of Euro 165 million. Moreover, in the year, the Group completed the plan for the replacement of the existing LT2 instruments, partially eligible, with fully compliant new instruments for a total of Euro 650 million.

The management and governance of pricing policies aimed at identifying and developing models and methods for setting and monitoring prices, based on riskiness and Risk Adjusted Return on Capital (RAROC).

The above reported directions shall be progressively implemented throughout the consolidation perimeter, taking account of the aforementioned business combination that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A.

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

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

Within the Crédit Agricole Italia Banking Group, the Parent Company Crédit Agricole Cariparma S.p.A. is responsible for overall steering, managing and controlling risks at a Group level, triggering operational 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 Crédit Agricole S.A. concerning its subsidiaries. The Risk Management and Permanent Controls Department (Italian acronym DRPC) performs risk management and control activities for all the Companies of the Crédit Agricole Italia Banking Group.

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

The perimeter of detected, monitored and integrated risks (taking account of diversification advantages) in the economic capital includes:
- Credit and counterparty risks; this category also includes concentration risk;
- Market risk of the Trading Book;
- Price risk of the Banking Book;
- Interest rate risk of the Banking Book;
- Liquidity risk;
- 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 of the Group. This system, setting limits and/or alert thresholds, is submitted to the Boards of Directors of the Parent Company Crédit Agricole Cariparma S.p.A. and of the single Entities of the Group for their approval.

The Group's main Committee in charge of the specific risk scopes is the Risk and Internal Control Committee that performs coordination of roles and departments engaged in control functions, i.e. control function holders (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; it examines and approves risk management guidelines, expresses opinions on the specific Risk Policies submitted to the Board of Directors for approval and resolves on any proposals made by the operational working groups, which all matters that are specific to the different risks are referred to;

In accordance with their respective responsibilities, the holders of 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.

The risk management and control system shall be progressively implemented throughout the consolidation perimeter, taking account of the aforementioned business combination that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. And Cassa di Risparmio di San Miniato S.p.A.

1.2 RISK APPETITE FRAMEWORK

The Group's Risk Appetite Framework (RAF) expresses the risk level that the Group is willing to take for every type of risk. The Group's risk appetite has been determined based especially on its financial policy and on its risk management policy and is expressed through:

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

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 ratios/indicators, which are fit to verify the affordability of the Group's Budget and MTP on a continuous basis, as well as to identify the first alerts in case such ratios/indicators worsen, in order for all corrective actions to be triggered and to return to normal operation.

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 Group's risk capacity, i.e. the maximum risk that can 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 2017, 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 Risk Appetite Statement (RAS). The Risk Appetite Statement reports the risk management and governance process, identifying the roles of the management and control bodies within the Group for proper monitoring of risks and proper design of the RAF. The main qualitative and quantitative risks are also reported: as regards the former the Group's set of quantitative indicators is reported along with exhaustive information on the logics at the basis of the definition and calibration of the RAF thresholds, whereas for the latter, the controls and mitigation tools implemented by the Group are reported.

In 2017, the Group revised its process for the identification of material risks, based on the new system proposed by the Controlling Company Crédit Agricole; this process was performed as reported in the ICAAP document and in the Internal Control Annual Report (ICAR).

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

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

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

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

As at 31 December 2017, the Group's primary ratios/indicators were found consistent with the Risk Appetite set by the Group.

Finally, the model for management and governance of the Risk Appetite Framework shall be progressively implemented throughout the consolidation perimeter, taking account of the aforementioned business combination that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. And Cassa di Risparmio di San Miniato S.p.A.

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 by counterparty/group, economic activity sector or geographical area;
- Efficiently selecting the economic groups and single borrowers, by means of thorough analysis of creditworthiness 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 business 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 2017, 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 stock 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 interact with the processes and procedures for loans management and control.

The organizational structure, the procedures and tool supporting the system for the management of problem loans ensure prompt triggering of the actions and measures required to restore the position of a performing status, or 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. In this regard, particular care is placed in 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.

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

The risk measurement system is fully integrated in the decision-making processes and in the management of corporate operations: the rating system has long played an essential role in loan 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 use of these models within management processes shall be progressively extended also to the Banks that became part of the Group at the end of December 2017: Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato. Specifically, the lending dossiers of the main counterparties (in terms of revenue) in the Corporate Banking portfolio shall be accompanies by the grading made with the Group rating model, effective on the very date of their acquisition; all internal models shall be fully integrated for the newly-acquired Banks upon their migration to CAGS information systems.

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 – creditworthiness assessment 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 (Retail) counterparties default.

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

The Governance model adopted by the Crédit Agricole Italia Banking Group assigns the responsibility for the measurement and management of interest rate risk to the CFO, who, through the Finance Department of Crédit Agricole 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 2017, the hedging of interest rate risk continued with the purchase of derivatives, namely Interest Rate Swaps and Interest Rate Options. Fixed-rate debentures issued in the first half of 2017 have been hedged (micro-hedging), as have mortgage loans with cap to Customers (macro-hedging) and interest rate gaps detected by the internal model (macro hedging).

The investment portfolio, held for Liquidity Coverage Ratio (LCR) purposes, consists of Italian Government Securities with modest average duration, for amounts that have been set down by the Risk Committee of the Crédit Agricole S.A. Group and approved by the Boards of Directors of the Parent Company and of its Subsidiaries. These securities, which have been recognized in the AFS portfolio, have been hedged against interest rate risk.

In line with the instructions given by the Risk Committee of Crédit Agricole S.A. and with the reporting to the Boards of Directors of the single entities of the Banking Group, in 2017 the investment portfolio/ banking book was supplemented subscribing fixed-rate Italian Government securities for a total of Euro 2 billion; these securities have been recognized in the HTM portfolio and are refinanced at fixed rate.

The limits to the price risk of the Banking Book 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 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.

The model for management and governance of the risks in question shall be progressively implemented throughout the consolidation perimeter, taking account of the aforementioned business combination that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. And Cassa di Risparmio di San Miniato S.p.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 S.A. Group, which is based on stress scenarios in order to ensure surplus liquidity on various time horizons and in increasingly severe scenarios. The stress assumptions used cover idiosyncratic crises, systemic crises and global crises. Specifically, a short-term interbank refinancing limit (LCT – *Limite Court Terme*) has been set, which aims at limiting short-term funding on the market over a one-year time horizon in a market featuring stress conditions.

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

In 2017, in compliance with the Basel III regulatory framework, the Banks of the Group reported their LCRs (liquidity coverage ratios) and ALMM (Additional Liquidity Monitoring Metrics) to the Supervisory Authorities on a regular basis.

As at 31 December 2017, the Group Liquidity Coverage Ratio (LCR) was 197%, firmly above the set compliance requirements.

The model for management and governance of liquidity risk shall be progressively implemented throughout the consolidation perimeter, taking account of the aforementioned business combination that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A.

Market risk of the Trading Book;

Market risk generated by the positions of the Banks that make up the Crédit Agricole Italia Banking Group results from the exposures on the Supervisory Trading Book. The Group's legal entities do not typically carry out significant proprietary trading activities in financial markets; therefore, the positions reported are exclusively those resulting from placing and trading operations that are performed in order to meet Customers' requirements.

The Banks of the Group are subject to the Volcker Rule and to the "*Loi francaise de séparation et de régulation des activités bancaires*" (LBF), which prohibut any banking entity from engaging in proprietary speculative trading. The Volker Rule and the LBF apply to the Group in its capacity as the sub-consolidating entity of the Controlling Company Crédit Agricole S.A. To control implementation of the aforementioned legislation, a Volcker Rule Local Correspondent has been appointed within the Finance Department, who is responsible for ensuring full compliance of operations.

The sale of "over-the-counter" (OTC) derivatives to ordinary Customers is made through a specialist team, aims at meeting Customers' protection requirements and the Group operates as an intermediary. Intermediated derivatives are hedged back-to-back to be immunized against market risk (matched trading). Moreover, ISDA master agreements have been entered into with the related CSA (credit support annexes) with the Financial Institutions the Group operates with, in order to mitigate the counterparty risk associated with this type of operations.

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

The model for management and governance of market risk shall be progressively implemented throughout the consolidation perimeter, taking account of the aforementioned business combination that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. And Cassa di Risparmio di San Miniato S.p.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 with the different corporate processes, both 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) and on Physical Security;

  - PRSI (Pilote des Risques SI), in charge of monitoring and control of IT risks on the Information System and on the Business Continuity Plan (BCP or with the Italian acronym PCO);
- 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;
- Structures, systems and tools, instrumental for proper risk control and for the management of mitigation/improvement actions, including:
  - The Risk and Internal Control Committee, which is described above;
  - The reporting system in place for permanent controls on 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 of 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 framework is a specific Regulation that implements the Group policy, implements the applicable Supervisory provisions and organically defines the system of controls as required in case of outsourcing of important operational functions.

The system for management of operational risks shall be progressively implemented throughout the consolidation perimeter, taking account of the aforementioned business combination that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. And Cassa di Risparmio di San Miniato S.p.A.

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.

Risks are analyzed and monitored 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/1st-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/2nd 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 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 mechanisms and the effects of their implementation.

The internal controls system shall be progressively implemented throughout the consolidation perimeter, taking account of the aforementioned business combination that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. And Cassa di Risparmio di San Miniato S.p.A.

Validation Function activities

The activities of the Validation Function holder structure are governed by the specific Policy that was approved by the Board of Directors of Crédit Agricole Cariparma in February 2017 and by the guidelines issued in March 2016 by the Direction des Risques du Groupe of Crédit Agricole S.A. 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 structure engaged in the Validation Function, in accordance with the supervisory regulations, is responsible for verifying:

- The accuracy, predictivity and stability of the internal estimates of risk parameters;
- The completeness, accuracy, consistency and integrity of the information used within the process for estimating and producing risk parameters;
- Proper use of the internally estimated risk parameters within management processes;
- Compliance of the governance model and of the features of the internal rating system with the regulatory provisions;
- Compliance with the regulatory standards governing the architecture and operation of the information systems supporting the risk measurement process;

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 os part of the validation business line coordinated by the "*Validation des Modèles*" Unit of Crédit Agricole S.A. 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 Crédit Agricole Cariparma and for its solid-line reporting to the Internal Audit Department of the Parent Company Crédit Agricole S.A.

The Internal Audit Department

- Assesses, based on a forward-looking plan, whether the overall internal controls system operates effectively and whether it is fit to ensure:
  - The effectiveness and efficiency of the corporate processes as implemented;
  - The protection of the value of Group's assets;
  - Protection from losses;
  - The reliability and integrity of accounting and management data;
  - Compliance of operations with both the policies set down by the corporate governance bodies and with all applicable internal and external regulations;
- Performs periodic review and controls on the processes and on the organizational units of all the Companies of the Crédit Agricole Italia Banking Group, as well as on Outsourced 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.
- 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

INCORPORATION OF CRÉDIT AGRICOLE REAL ESTATE ITALIA

In September 2017, the Crédit Agricole Real Estate Italia Srl Company – "CAREI" for short – was incorporated by Crédit Agricole Cariparma S.p.A. that subscribed its entire share capital. The purpose of the new Company is to manage the real estate assets that were acquired from debtors of the Banks of the Group. As at 31 December 2017, the Company was dormant.

LT2 SUBORDINATED DEBT INSTRUMENTS

In the reporting period, Crédit Agricole Cariparma carried out several transactions in order to strengthen its capital ratios and the Group's consolidated ones.

First of all, the Company started to implement a plan for the replacement of the Lower Tier 2 subordinated debt instruments that were issued in 2008 and 2011 and were subject to grandfathering, with new Tier 2 instruments that are fully eligible pursuant to the Basel 3 Framework.

The replacement plan was started in June 2017, with a first issue of LT2 instruments for Euro 250 million, which were fully subscribed by the Parent Company Crédit Agricole S.A.

Afterwards, in December 2017, early repayment was made of the LT2 instruments issued in 2008 for Euro 250 million (their original value) and in 2011 for Euro 400 million (their original value), which were partially eligible, and a concomitant issue was made of new LT2 instruments for Euro 400 million, which are fully compliant with the Basel 3 framework and were also subscribed by Crédit Agricole S.A.

ISSUE OF ADDITIONAL TIER 1 INSTRUMENTS

In December 2017 Crédit Agricole Cariparma issued also an Additional Tier 1 subordinated debt instrument for Euro 165 million; in line with the Group policies, this instrument was also subscribed by Crédit Agricole S.A.

CRÉDIT AGRICOLE CARIPARMA SHARE CAPITAL INCREASE

In December 2017, within the project for the acquisition of the majority shareholdings in Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato, CA Cariparma made a share capital increase of Euro 320 million, which was fully subscribed by its Shareholders. This transaction was carried out to cover the capital need for the acquisition of the aforementioned three banks, while maintaining the Group's CET1 ratio at the levels reported before the acquisition.

TRANSACTION ON THE CAPITAL OF CRÉDIT AGRICOLE LEASING ITALIA

In 2017, in order to provide the leasing company (Calit) with support for its development plans, a capital strengthening plan was approved and provided for a share capital increase, in two tranches, and the issue of new LT2 subordinated debt instruments.

Specifically, its capital was strengthened by a total of Euro 27 million, of which Euro 16.2 million for a share capital increase and Euro 10.8 million as share premium; such capital strengthening was carried out in two tranches, one for a total of Euro 17 million in June 2017 and another for a total of Euro 10 million in November, and with the issue of subordinated debt instruments totalling Euro 6 million in 2017.

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 on which 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 able to constantly enhance 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 OPERATIONS

Crédit Agricole FriulAdria is subject to the management and coordination of Crédit Agricole Cariparma that holds 80.33% of its share capital, while the remaining portion is publicly held. In 2017 the Bank made a profit and reasserted its role in supporting the economy of the Regions in which it operates.

In 2017 Crédit Agricole FriulAdria made a net profit of Euro 50.1 million.

Its net operating income came to Euro 315.5 million, increasing vs. the previous year thanks to an increase in net interest income and in net fee and commission income, as well as to the good performance of financial activities.

Operating expenses came to Euro 189 million, decreasing by Euro 5.6 million (i.e. down by -2.9%) vs. 2016.

This decrease essentially regarded personnel expenses down by Euro 7.8 million (-7.4%).

HR costs decreased as they no longer included the expenses resulting from the agreement for voluntary redundancy incentives signed at Group level with the Trade Unions in 2016; such agreement provided for voluntary redundancy of about 40 employees in 2017, with a total cost for the Bank of Euro 6.8 million.

The “Administrative expenses” items reports Euro 6.6 million worth of contributions to the Single Resolution Fund (SRF), to the Deposit Guarantee Scheme (DGS) and to the Solidarity Fund. In the previous year, these costs came to Euro 8.4 million (in 2016 this figure also included the extraordinary contribution to the Single Resolution Fund).

Net of these effects, administrative expenses increased by Euro 3.6 million (up by +4.8%).

The continuous decrease in the cost of credit was one of the key factors for the Bank’s good performance in 2017: indeed, net value adjustments of loans came to Euro 46 million, down by 11% vs. the same figure for the previous year. 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 64 bps vs. 76 bps in the previous year, even with high and further increasing coverage ratios of non-performing loans.

THE PERFORMANCE OF CRÉDIT AGRICOLE CARISPEZIA OPERATIONS

Crédit Agricole Carispezia is subject to the management and coordination of Crédit Agricole Cariparma that 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 30 million.

Its net operating income came to Euro 153 million, increasing vs. the previous year (up by Euro +2.7 million, i.e. +1.8% YOY), thanks mainly to the increase in net fee and commission income that offset the decrease in net interest income.

Operating costs came to Euro 90.7 million, decreasing by Euro 3.6 million (i.e. down by -3.9%) vs. 2016.

This decrease regarded both personnel expenses (down by Euro -1.5 million, i.e. -3%) and other administrative expenses (down by Euro -2.3 million, i.e. -5.5%).

HR costs decreased as they no longer included the expenses resulting from the agreement for voluntary redundancy incentives signed at Group level with the Trade Unions in 2016; such agreement provided for voluntary redundancy of about 15 employees in 2017, with a total cost for the Bank of Euro 2.5 million.

The “Administrative expenses” items reports Euro 3.1 million worth of contributions to the Single Resolution Fund (SRF), to the Deposit Guarantee Scheme (DGS) and to the Bank and Small Investors Rescue scheme. In the previous year, these costs came to Euro 3.2 million (in 2016 this figure also included the extraordinary contribution to the Single Resolution Fund).

The continuous decrease in the cost of credit was one of the key factors for the Bank’s good performance in 2017: indeed, net value adjustments of loans came to Euro 16.2 million, down by 18.1% vs. the same figure for the previous year. 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 61 bps vs. 77 bps in the previous year, even with high and further increasing coverage ratios of non-performing loans.

THE PERFORMANCE OF CRÉDIT AGRICOLE LEASING ITALIA (CALIT) OPERATIONS

In 2017 the Company proved able to successfully seize the opportunities generated by the measures implemented to support the real economy, posting a considerable increase vs. 2016 both in intermediation volumes, amounting to Euro 541.6 million (up by +17.8% YOY) and in the number of new contracts that were 3,729 (up by +3.1% YOY).

In 2017, equipment and motor-vehicle leases accounted for 72.1% of new production (specifically the former for 57.3% and the latter for 14.8%), whereas property leases accounted for 15.9% of it and the aircraft and renewable energy segments accounted for the remaining smaller contributions.

Gross leases came to Euro 1.94 billion, with an increase in performing ones (up by Euro +15 million) and a decrease in non-performing ones (down by Euro -71 million). The weight of non-performing loans came again below the market figure by more than 50% (11.5% vs. 25.4%).

As regards performance, revenues from continuing operations, excluding extraordinary disposals, were stable and costs increased in line with the budget.

The performance for the year was impacted by the bulk sale of real estate, which resulted from lease contracts, generating a net loss for the year of Euro -8.4 million.

As regards Capital Ratios, the CET 1 Capital ratio came to 6.23% and the Total Capital ratio to 7.45%.

BULK SALE OF REAL ESTATE

In 2017, in accordance with the Group’s “Ambition 2020” Strategic Plan, the possibility was assessed of a bulk sale of a portfolio of real estate properties that resulted from terminated lease contracts classified as bad loans and that had been returned to the Company.

The portfolio consisted of 93 real estate properties that referred to positions classified as bad loans and were returned to the Company. The total gross amount at risk (Gross Book Value) associated with this portfolio was Euro 94.1 million with a 37% risk hedge.

The sale, for a total consideration of Euro 41.2 million, was carried out in two tranches with the signing of notarized deed of sale and purchase on 23 October 2017 (as regards 83 properties) and 21 December 2017 (for the remaining 10 properties), which executed the transfer of ownership of the entire portfolio to a leading player in the NPL market.

Subsequent to the above-reported disposal, the stock of non-performing loans of Crédit Agricole Leasing decreased by 22% and their weight on total leases decreased from 14.7% to 11.5%, with a total coverage ratio of 27.7%. The stock of bad loans also decreased by 40% YOY, with the coverage ratio increasing from 38.7% as at the end of 2016 to 42% as at 31 December 2017.

In terms of profit and loss, the disposal generated a gross loss of Euro 18 million (Euro 12.6 million net of tax effects), in addition to expenses for technical and environmental due diligence and to costs for maintenance and restoration amounting to approximately Euro 1.3 million.

The sold portfolio accounted for over 70% of the portfolio of properties associated to bad loans and, thanks to its sale, the remarketing process could be accelerated, while significantly reducing management risk and the risk of unsold items vs. an asset-by-asset disposal.

THE PERFORMANCE OF CRÉDIT AGRICOLE GROUP SOLUTIONS OPERATIONS

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

In addition to the above-reported operations, in accordance with the Group's Business plan and strategic directions, Crédit Agricole Group Solutions implemented important crosswise and innovative projects. Specifically, in 2017, over 100 IT projects were managed, as were about 20 real estate ones, of which three were "Large Projects", namely "Crédit Agricole Green Life", the New Management Headquarters in Parma (in its completion stage) that will house the Bank's Central Departments in a single complex, the renovation of the Premises on Via Armorari in Milan and the new Villini center in the Parioli District in Rome; all building and renovation works were studies in order to rationalize the Group's premises and to be fit to meet new work requirements and habits.

In 2017, expenses came to Euro 226 million, increasing by Euro 10.8 million (i.e. up by +5%) vs. 2016. This increase was due to both depreciation and amortization increasing by Euro 6 million (+12.6%) and administrative expenses (up by Euro +4.8 million, i.e. +4.1%).

HR costs came to Euro 48.6 million (accounting for 22% of total expenses) and were stable year-on-year. Specifically, HR costs benefited from the fact that they no longer included the expenses resulting from the agreement for voluntary redundancy incentives signed at Group level with the Trade Unions in 2016; such agreement provided for voluntary redundancy of about 26 employees in 2017, with a total cost for the Company of Euro 4.2 million.

Administrative expenses came to Euro 124.4 million, essentially represent the costs borne for the provision of services by the Consortium to the other Companies of the Group and account for the largest part of operating expenses (55%). This item increased by Euro 4.8 million (+4.1%) vs. the previous year, mainly due to higher expenses for projects (up by Euro +2.4 million).

Since the Consortium operates on a not-for-profit basis, all expenses borne for service provision were fully reallocated to the Consortium members and, consequently, the Income Statement for 2017 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

	31.12.2017	
	Equity	*of which: Net profit for the year*
Balances of the Parent Company accounts	**5,511,895**	**211,712**
Effect of consolidation of subsidiaries	602,739	520,717
Effect of the equity method accounting of significant equity investments	-	-
Dividends received in the year	-	-42,189
Other changes	-	-
Consolidated account balances	**6,114,634**	**690,240**

OUTLOOK

SIGNIFICANT EVENTS OCCURRED AFTER THE REPORTING DATE

As regards the Crédit Agricole Italia Banking Group, it is reported that, on 8 February 2018, the Boards of Directors of Crédit Agricole Cariparma (lthe Parent Company), Cassa di Risparmio di Cesena ("CRC"), Cassa di Risparmio di Rimini ("CARIM") and Cassa di Risparmio di San Miniato ("CARISMI") approved the project of merger by absorption of CRC, CARIM and CARISMI into Crédit Agricole Cariparma.

The transaction falls within the scope of the «Ambizione Italia 2020» strategic plan of CA Cariparma and is intended to contribute to the increase in the operations of the Crédit Agricole Group in Italy, its second domestic market.

The integration of the three Banks into CA Cariparma has resulted in a 20% increase in the Customer base, exceeding 2 million Customers and will contribute to its development in Regions that are key for the economy and have strong manufacturing and agri-food vocation. With this transaction, CA Cariparma has increased its market share at a national level by 1%, strengthened its role as leading player in the Emilia-Romagna Region (with its market share increasing from 6% to 11%) and has increased its operations in Tuscany (with its market share up from 2% to 6%).

The three Banks are cornerstones in the communities they operate in and are still in full business operation, with over 400 thousand Customers.

The plan for the Banks' integration aims at enhancing their distribution networks inside the Group, leveraging on their strong bond with their communities, also by developing their Human Resources.

After being fully integrated, the three Banks' will have a significantly better risk profile and a strengthened capital position. Such strengthening will be achieved subsequent to the deconsolidation of the non-performing loans portfolio (described below) and to capital strengthening, as well as thanks to their integration into an international banking group, such as Crédit Agricole S.A., with significant positive externalities on the economy of the communities of operations and on the interests of the various stakeholders.

MACROECONOMIC AND BANKING OUTLOOK FOR 2018

MACROECONOMIC SCENARIO[10]

The strengthening of the global economy in 2017 will allow 2018 to be another positive year, with growth that may exceed expectations. According to forecasts:

- The United States GDP is forecast to increase by +2.8% thanks to expansionary budgetary measures. Moreover, the US tax reform, entailing a lower tax burden on income from work, will contribute to increase labour supply with consequent positive effects on disposable income and consumption of

10 Source: Prometeia, Forecast Report (March 2018).

households. Indeed, consumption has been forecast to increase by +2.5%. Some reasons for concern remain regarding possible increase in inflation and protectionist policies with restrictions to trade and immigration, especially for Countries that rely on international resources to grow;
- In order to mitigate the negative effects caused by Brexit, the UK Government has asked for a two-year transition period. Therefore, modest growth has been forecast, coming to approximately 1.6% in 2018 and +1.4% in 2019;
- For emerging Countries, economic recovery is expected at a relatively low expansionary pace, especially due to political uncertainty in Brazil and to the unstable situation of the banking and tax system in Russia. Despite the announced important reforms to open Chinese markets to foreign players and to limit the role of shadow banking in the economy, China's GDP is expected to increase (+6.3%) but at a lower rate than in 2017 (+6.8%).

However, from 2019, forecasts for the world economy show the possibility of some slowdown due to less expansionary policies implemented in advanced economies and to more neutral policies implemented in emerging Countries.

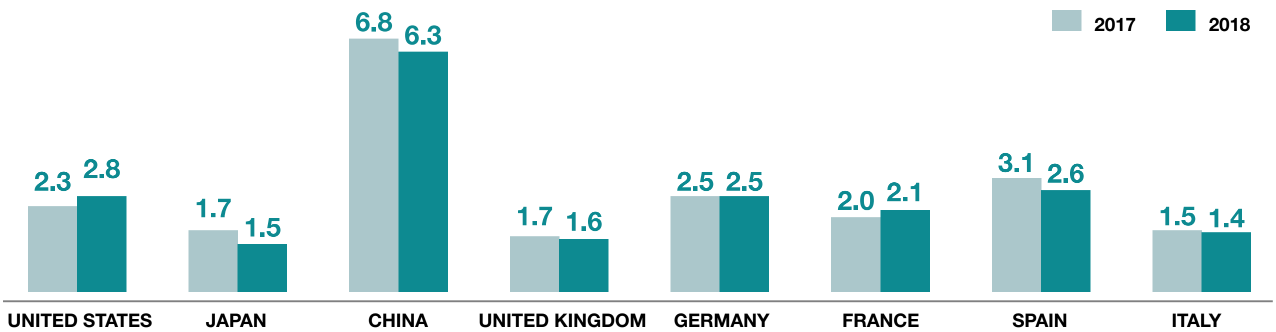
As regards the financial system and monetary policies, in March 2018 the Federal Reserve increased its interest rate by 0.25 points, hinting at another two/three increases that should take place in the year, followed by another increase in 2019. The increase in yields in the Unites States will extend 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 March, the ECB announced that its policy rates will remain unchanged and that its asset purchase programme will continue at a monthly pace of Euro 30 billion until September 2018, or beyond if necessary. However, the recent climate of mutual distrust between the EU Member States could slow down the completion of the banking union project. Finally, short-term reference rates are expected to remain constantly negative and at their all-time low (3M Euribor -0.33% in 2018).

EURO AREA

In 2018, 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 for higher margins and investments. Overall, in **2018 stable growth in the GDP has been estimated of +2.3%.** Having regard to key Countries:
- In **Germany**, exports, consumption and investments will lead to further **growth** of the German economy (GDP up by +2.5%) but some slowdown is expected in 2019 (GDP up by +2%), in line with the world economic cycle;
- In **France, growth will strengthen** (GDP up by +1.9%) thanks to high private investments, including real estate investments, the new labour code and the new Budget Law;
- In **Spain, the GDP growth will slow down** (up by +2.7%), while the unemployment rate will continue to decrease coming below 15%.

GDP: % YOY change



Source: Prometeia, Forecast Report – March 2018.

THE ITALIAN ECONOMY

In an overall favourable global scenario, **in 2017 Italy progressively bridged the gap vs. Europe**: with exports accounting for 32% of the GDP and industrial added value for 17%, in Europe we rank second after Germany.

The years of favourable economic conditions are an opportunity to regain momentum and, in **2018**, the implemented **budgetary measures**, with extensions and new bonuses, such as **Industry 4.0 and hyper-amortization**, will continue to support growth consistently with progressive decrease in the public deficit. **Concerns remain regarding the outcome of the political elections** held in spring and high **Government debt**, but forecasts expect the ratio of government debt to GDP to decrease coming to 128.7% in 2020.

- In 2018, the outlook for the **manufacturing industry** remains good. In January, the output of Italian manufacturing companies came at its highest since 2011;
- **Exports**, a key factor for the generation of added value in 2017, are expected positive again and will come to 4.1% in 2018[11];
- The investment cycle continues in all European Countries and, in Italy, forecasts have been revised upwards as regards **investments in capital equipment** for 2018 (up by +5.7%) while forecasts of investments in construction have been revised downward for 2018-2020;
- **Consumption expenditure** is expected to grow at a stable pace in 2018, and to slow down slightly in the 2019-2020 two-year period;
- **Employment** is expected to continue to grow, with further increases in labour demand. However, the rate of growth will slow down starting from 2019, also due to the termination of contribution reliefs that drove the labour market recovery in 2015 and partially in 2016. **The unemployment rate is expected to come to 10.6% at the end of 2020**;
- After the 2017 GDP coming to +1.5%, **the 2018 GDP** is expected to come to **+1.4%** .

BANKING SCENARIO[12]

From 2018 on, the progressive **improvement in profit margins**, the effective actions implemented **to rationalize costs** and further **decrease in the cost of risk will** be the drivers consolidating the banking sector recovery. Leveraging **new drivers**, such as asset management, multichannel and digital modes, efficiency, proactive management of loans, banks will renew their business model in order to meet future challenges and to maintain high profitability. Indeed, the following are expected:

- The implementation of **recovery and capital strengthening plans** by some important Banking Groups;
- Continuation in **decreasing the stock of Non Performing Loans** through sale transactions. Moreover, in order to comply with the ECB guidance, and especially with the Addendum supplementing the NPL Guidance, provisions may have to be increased, especially by banks with high weight of non-performing loans;
- The **streamlining of the corporate structure** of some important Banking Groups by reducing the number of legal entities;
- Continuation in the process **to increase structure efficiency** and **geographical rationalization of distribution networks**, in addition to a change in service models with concomitant investments in process digitalization.

All the above will be combined with legislation and regulatory developments, any further extraordinary contributions to the banking system and the effects of the ECB monetary policy that will continue, at least until September 2018, to support the system's liquidity needs.

Based on these elements, for 2018 the expected performances of the **main balance sheet aggregates** are given below:

- Loans: increasing at modest paces. Lending to households will increase at a sustained pace, driven by mortgage loans that will continue to grow thanks to still low interest rates and to the improvement

11 Source: Prometeia, Forecast Report (March 2018): chained value, % change
12 Source: Prometeia Bank Financial Statement Forecast (January 2018)

in the real estate market and by consumer credit. Lending to businesses will return to growth driven by the consolidation in the economic cycle and by investments;
- Funding from Customers: slightly decreasing due to the reduction in the bond component, only partially offset by the increase in deposits;
- Indirect funding: increasing by +4% YOY according to the estimates, thanks to the growth (+5% YOY) in asset management products (funds, insurance and wealth management), partially offset by a decrease in assets under administration (-1% YOY).

The quality of the **loan portfolio** is expected to further improve subsequent to the development in the market of sales of Non-Performing Loans. Gross bad loans are expected to decrease by 24%, with a stock that is expected to amount, at the end of 2018, to Euro 126 Bln (vs. Euro 166 Bln at the end of 2017).

Profitability is expected to decrease slightly vs. 2017, a year that benefited from the recognition of non-recurring income (state grants, badwill, gains from asset disposal). **Net of such non-recurring income, the net profit is expected to increase**, thanks to contribution of the following areas:
- Income increasing by +1.7%, after two years on the decrease, thanks to higher net interest income and higher net fee and commission income. Gradual recovery in lending volumes and the expansive monetary policy constantly implemented by the ECB, which will maintain the average cost of bank funding low, will all contribute to stop the decrease in net interest income that, from 2018, is expected to return to increase (up +3.7% YOY). Revenues from trading are expected to decrease, since gains on proprietary securities will no longer be made, whereas fee and commission income is expected to increase even though it may slow down due to the new regulatory developments (MIFiD2, PRIIPs) that could limit the growth of revenues from distribution of asset management and insurance savings products;
- Improvement of operational efficiency, with expenses estimated to decrease by 4.4% in 2018, continuing with the actions started in the last two years and aimed at the rationalization of staff and structures, as well as at **enhancing IT and organizational efficiency** supported by process digitalization;
- Reduction in the cost of risk, through several transactions for the sale of bad loans, as well as thanks to a reduction in the number of positions becoming non-performing and to faster and more efficient loan recovery processes.

The “*Ambizione Italia 2020*” Plan of the Crédit Agricole Italia Banking Group, whose development lines (updated with the outcome of the Fellini Project) have been reported 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 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 has an internal controls system in place aimed at constant control of risks and at ensuring constant adequacy of the control activities to its organizational structure, as well as at ensuring reliability, accuracy and promptness of reporting.

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

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

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

The Departments and Roles engaged in 2nd 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.

The internal controls system shall be progressively implemented throughout the consolidation perimeter, taking account of the aforementioned business combination that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. And Cassa di Risparmio di San Miniato S.p.A.

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 plays a key role in achieving an effective and efficient system for the management and control of risks.

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

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

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

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

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 (who includes the Validation Unit) and the Compliance Department, who are responsible for second degree – second level controls;

- The Internal Audit Department, who is responsible for third-degree controls.

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

RISK MANAGEMENT AND PERMANENT CONTROLS DEPARTMENT

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

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

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

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

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

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

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

- 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 the key risk indicators for more effective and prompter preparation of the action plans required to mitigate, prevent or avoid risk factors.

INTERNAL AUDIT DEPARTMENT

The Internal Audit Department 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.

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 in place. As regards the latter provisions, the Compliance Department, in cooperation with the specialist Departments in charge, sets down at least 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 reputational damage. In this scope, compliance activities are also an opportunity to develop the Company's value to 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, to the Annual Report and Consolidated Financial Statements and to 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, as well as of the situation of the Bank and of the Group, and the description of the main risks and uncertainties to which they are exposed.

STATUTORY AUDIT OF THE ACCOUNTS

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

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

The statutory audit of the accounts has been assigned to the company EY S.p.A. until 31 December 2020.

CORPORATE SOCIAL RESPONSIBILITY

In its capacity as a Public Interest Entity (PIE, as defined pursuant to Article 16, paragraph 1, of Italian Legislative Decree No. 39 of 27 January 2010) exceeding in size the thresholds provided for by Article 2 paragraph 1 of Italian Legislative Decree No. 254 of 30 December 2016 (hereinafter Decree 254) “Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups”, the Crédit Agricole Italia Banking Group is subject to the disclosure obligations laid down by Decree 254.

Complying with such obligations, the Crédit Agricole Italia Banking Group has prepared its consolidated Non-Financial Statement (NFS) as at 31 December 2017, which is separate from the Management Report but an integral part of the documentation regarding the 2017 Annual Report and Financial Statements. As required by the applicable legislation, the NFS reports information relating to environmental matters, social and employee-related matters, respect for human rights, anti-corruption and anti-bribery matters, as relevant in accordance with the features of the Group’s banks.

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 2017 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 2017:

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, 27 March 2018

Giampiero Maioli
Chief Executive Officer

Pierre Débourdeaux
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 [illegible] 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.

Report of the Board of Auditors on the activities performed and on the separate and consolidated Financial Statements as at 31 December 2017 – Non-financial Statement

Dear Shareholders,

In the reporting year, the Board of Auditors of Crédit Agricole Cariparma S.p.A. (hereinafter also referred to simply as "Cariparma), 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 as amended by Directive 2014/56/EU, at Article 28, which was implemented in Italy with Italian Legislative Decree No. 135/2016;
- 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 concerning the prevention of the use of the financial system to launder criminal activities' proceeds and to fund terrorism, as well as Directive 2006/70/EC providing for the relevant implementation measures, as amended and supplemented");
- 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 is also responsible for:

- Monitoring the financial reporting process and presenting any recommendations or proposals aimed at ensuring its integrity;

- Verifying the effectiveness of the systems of internal control, quality and risk management of the Company and, where applicable, of the internal audit, as regards financial reporting of the audited entity, without violating the Internal Audit independence;
- Monitoring the statutory audit of annual accounts, both separate and consolidated;
- Verifying and monitoring the independence of the statutory auditors or of the audit firm tasked with the statutory audit of the accounts pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of the Decree and to Article 6 of Regulation (EU) 537/2014 of 16 April 2014, especially as regards the provision of services other than statutory audit (non-audit services) to the audited entity, in compliance with Article 5 of the Regulation;
- Supervising the procedure for the selection of statutory auditors or audit firms task and recommending statutory auditors or audit firms to be appointed pursuant to Article 16 of Regulation (EU) 537/2014.

In order to perform all the above, in the period from the date of preparation of the Report to the 2016 Financial Statements to today's date, the Board of Auditors held 50 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 19 April 2017, with reference to the 2016 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 Heads of Departments and Divisions engaged in the management of operations and administration, as well as in the review of the reports prepared by them;
- Carried out professional refresher and training activities, also by participating in external events.

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. 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 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 Associated Persons of 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;
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 incontrol 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. (which 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).

   In this regard, it is pointed out that, as mentioned above, Directive 2014/56/EU at Article 28, amended Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts. The aforementioned EU legislation was implemented in Italy with Italian Legislative Decree No. 135/2016, which amended Italian Legislative Decree No. 39/2010. Pursuant to Regulation (EU) No 537/2014 of 16 April 2014, which, at Article 10 (hereinafter referred to also as the "Regulation") lays down the specific requirements for the audit report, i.e. the document reporting the results of the statutory audit of the public-interest entity, and pursuant to Article19 of Italian Legislative Decree No. 135/2016, in 2017 and up to the date of this Report to the Shareholders, the Board of Auditors has constantly monitored the activities performed by the Audit Firm.

   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. In this regard, 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.

   In addition to the aforementioned exchange of information, the Board of Auditors examined the following reports that were issued by the Statutory Auditor EY S.p.A. on 5 April 2018 and that set forth the matters examined during the various meetings held since the previous report to the Shareholders:
   - The Audit Report on the Consolidated Financial Statements issued pursuant to Article 14 of Italian Legislative Decree No. 39/2010 and to Article 10 of Regulation (EU) No. 537/2014, which is dealt with in the "Separate and Consolidated Financial Statements and proposal for the allocation of the profit for the period";
   - The Audit Report on the Separate Financial Statements issued pursuant to Article 14 of Italian Legislative Decree No. 39/2010 and to Article 10 of Regulation (EU) No. 537/2014, which is dealt with in the "Separate and Consolidated Financial Statements and proposal for the allocation of the profit for the period";
   - The Independent Auditors' Report pursuant to Article 3, paragraph 10 of Italian Legislative Decree No. 254 of 30 December 2016 and to Article 5 of CONSOB Regulation No. 20267 concerning the Consolidated Non-Financial Statement as at 31 December 2017;
   - The Additional Report, also issued on 5 April 2018, pursuant to Article 11 of Regulation (EU) No. 537/2014, including the annual confirmation of independence, also issued on 5 April 2018, pursuant to Article 6 paragraph 2) letter a) of Regulation (EU) No. 537/2014 and to paragraph 17 of International Standard on Auditing (ISA) Italia 260.
9. As regards verification of the auditor's independence, in 2017, pursuant to Article 19 of Italian Legislative Decree No. 39/2010, the Board of Auditors verified and monitored the independence of the audit firm EY S.p.A. tasked with the statutory audit of the accounts, pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of the aforementioned Decree and to Article 6 of Regulation (EU) 537/2014, especially as regards the provision of non-audit services to the audited entity. Moreover, as reported in the previous paragraph, the Board of Auditors received the statement confirming the Audit Firm's independence, finding no inconsistencies.
10. 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 2016" was submitted to the Board of Directors on 27 April 2017 after being examined by this Board, whereas the "ICAAP Report as at 31 December 2017" will be submitted to the Board of Directors on 27 April 2018;

11. 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;
12. 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 2017 and up to the date of preparation of this Report, the Board expressed its opinion on several matters, including:

- Annual report on operations regarding asset-backed securities
- Awarding of the variable remuneration component to Top Officers;
- Annual report on the controls performed on Outsourced Important Operational Functions;
- Report on non-compliance risks;
- ICAAP and ILAAP Reports;
- Report and self-assessment of money-laundering and terrorism financing risks;
- Assessment of the procedures for the outsourcing of cash-handling activities;
- Report on internal validation activities and annual report prepared by the Internal Audit Department on the AIRB System;
- Report prepared by the Internal Audit Department on operations regarding Covered Bonds;
- Amendments to the Company's Articles of Association;
- Co-opting of a Director.

As regards relations with the Supervisory Authority, it is reported as follows:

- Regarding the communication dated 28 December 2016 and sent by the Bank of Italy to Crédit Agricole Cariparma, having as its subject-matter "Cassa di Risparmio di Parma e Piacenza – transparency verifications", the Board of Auditors examined the reply prepared by the Parent Company and submitted to the Board of Directors on 28 April 2017;
- Regarding the communication sent by the Bank of Italy on 28 March 2017 concerning unilateral amendments to contractual terms and conditions, this Bord examined, during specific meetings held with the competent roles and departments, the consistency of the unilateral actions resolved since January 2016 with the overall regulatory framework on unilateral amendments, finding no inconsistencies;
- On 7 November 2017, the Parent Company received the Bank of Italy's remarks on its reply to the aforementioned transparency verifications: the Parent Company's reply to such remarks is currently being prepared and will be submitted to the Board of Directors on 27 April 2018, while the Board of Auditors has already had several meetings and discussions with the competent controls roles and departments;
- On 22 November 2017, the Bank of Italy informed Crédit Agricole Cariparma of the outcomes of the anti-money-laundering assessments that were carried out at fourteen branches of Crédit Agricole Cariparma in the second quarter of 2017: a reply was given to the notice informing on such outcomes on 8 February 2018, which also contained the remarks of this Board of Auditors;
- Finally, on 10 March 2018, an update was sent to the Bank of Italy and to the Financial Intelligence Unit on the progress of the remedial actions that were implemented regarding data sent to the Single Financial Transactions Database pursuant to Article 52 of Italian Legislative Decree No. 231/2007 on 3 August 2016 showing some anomalies by Cariparma.

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 in the interest of its shareholders. All the Group's activities relating to Operational Processes, Information Systems, Technical Logistics, Safety and Security, Business Continuity, Purchases and Real Estate Management, Human Resources Administration were transferred to the this Company.

As already pointed out in the Report to the Financial Statements for the previous financial year, 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 of business risks. In this regard, this Board acknowledges that (as exhaustively explained in the Management Report), in 2017, 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 to be stressed the 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 the reporting period, this Board monitored the process through which, on 21 December 2017, Crédit Agricole Cariparma finalized the purchase from the Interbank Deposit Protection Fund – Voluntary Scheme (hereinafter the "Voluntary Scheme") of 95.3% the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A. (hereinafter the "Banks"), for a purchase price of €130 million.

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 for the allocation allocate the profit for the year

The Annual Report and Financial Statements as at 31 December 2017 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 2017, 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 document jointly issued by the Bank of Italy, the Italian Securities and Exchange Commission (CONSOB) and ISVAP (the Italian Insurance Supervisory Authority) No. 4 of 3 March 2010, on the application of IAS/IFRS).

The Consolidated Financial Statements as at 31 December 2017 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., its subsidiaries as listed in paragraph 1 of Part A of the Note to the Consolidated Financial Statements: it is specifically pointed out that, subsequent to the finalization of the acquisition of the 3 Banks, Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A., these three Banks and their subsidiaries have been included in the consolidation scope effective since 21 December 2017.

Having regard to the Consolidated Financial Statements as at 31 December 2017, the General Meeting is also informed that this Board supervised their general layouts, their general compliance with the applicable law in terms of preparation and layouts and, on this matter, no remarks are to be made. Moreover, this Board verified compliance with the standards concerning the preparation of the Management Report.

As mentioned above, on 5 April 2018, this Board of Auditors received the Independent Auditor's Report pursuant to Article 14 of Italian Legislative Decree No. 39 of 27 January 2010, and to Article 10 of Regulation (EU) No. 537/2014 on the financial statements as at 31 December 2017, which sets forth that, in the Independent Auditor's opinion, both the separate and consolidated financial statements provide a *truthful and correct representation of the Company's equity and financial position as at 31 December 2017, of its performance and cash flows for the reporting year, in compliance with the International Financial Reporting Standards endorsed by the European Union and with the measures implementing Article 9 of Italian Legislative Decree No. 38 of 28 February 2005 and Article 43 of Italian Legislative Decree No. 136 of 18 August 2015.*

Finally, having regard to the Management Report and to some specific pieces of information contained in the report on corporate governance and ownership structure, it is pointed out that the statutory auditor's reports attest that they are consistent with the Group's Consolidated Financial Statements and with the Separate Financial Statements as at 31 December 2017 and have been prepared in compliance with the applicable law.

Non-Financial Statement

In accordance with Italian Legislative Decree No. 254/2016 concerning disclosure of non-financial information and with the related implementing Regulation issued by CONSOB with its resolution of 18 January 2018, this Board of Auditors supervised, in performing its functions, compliance with the related provisions on the preparation of the Non-Financial Statement (hereinafter, also "NFS"), which was approved by the Board of Directors on 27 March 2018 as a free-standing document separated from the Annual Report and Financial Statements.

This Board had meetings with the representatives of the appointed Audit Firm (EY S.p.A.) and examined the documentation made available to it. Finally, this Board acknowledged the report issued by the Audit Firm on 5 April 2018 in which the Audit Firm attests that it found no elements that may lead to think that the NFS of the Crédit Agricole Italia Banking Group has not been prepared, in all its material aspects, in full compliance with the applicable legislation. Therefore, based on the obtained information, the Board of Auditors hereby attests that, during its review of the Non-Financial Statement, it found no elements that could amount to non-compliance with and/or breach of the applicable legislation.

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Conclusions

Dear Shareholders,

Based on the considerations reported above and on the outcome of the activities performed by the firm tasked with the statutory audit of accounts "EY S.p.A." as contained in its Independent Auditor's Report pursuant to Article 14 of Italian Legislative Decree No. 39 of 27 January 2010, and to Article 10 of Regulation (EU) No. 537/2014, the Board of Auditors unanimously deems that there are no reasons why you should not approve the draft Annual Report and Financial Statements for the financial year closed as at 31 December 2017, as prepared and submitted to you by the Board of Directors; this Board also agrees with 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 2018

The Board of Auditors

(Paolo Alinovi)
(Luigi Capitani)
(Maria Ludovica Giovanardi)
(Stefano Lottici)
(Germano Montanari)

Independent Auditors' Report

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Crédit Agricole Italia Banking Group (the "Group"), which comprise the balance sheet as at December 31, 2017, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2017 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 as well as with the regulations issued for implementing article 9 of Legislative Decree n. 38, dated February 28, 2005 and article 43 of Legislative Decree n. 136, dated August 18, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.
We are independent of the Crédit Agricole Cariparma S.p.A. (the "Bank" or the "Parent Company") in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response

Accounting for the business combinations related to Cassa di Risparmio di Cesena SpA, Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A.

EY S.p.A.
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Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00
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On December 21 2017, the Parent Company Crédit Agricole Cariparma S.p.A. completed the purchase from the Voluntary Scheme of the Interbank Deposit Protection Fund ("Fondo Interbancario di Tutela dei Depositi") of 95.3% of the share capital of Cassa di Risparmio of Cesena SpA, Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A. (hereinafter the "Transaction").

The Transaction is accounted for in the consolidated financial statements in accordance with the provisions of the international accounting standard IFRS 3 "Business combinations", which requires the determination and allocation of the purchase price (purchase price allocation), for which management was supported by an external consultant.

The disclosures regarding the Transaction are provided in Part A - Accounting Policies and in Part G - Business Combinations, of the notes to the financial statements.

We considered the accounting for the Transaction as a key audit matter, due to its significance to the consolidated financial statements as a whole, as well as the subjectivity of the assumptions made by the management for the purpose of carrying out the purchase price allocation, with particular reference to:

- the estimation of the fair value of the assets and liabilities acquired;
- the recognition and measurement of the intangible assets with a finite useful life attributable to the customer relationships and the contingent liabilities of the acquired entities;
- the recognition of deferred tax assets on the temporary differences between the carrying values determined under the purchase price allocation and the related tax values.

Our audit procedures in response to the key audit matter included, amongst others:

- the examination of the contracts relating to the Transaction and the minutes of meetings of the Parent's corporate bodies during which the same was discussed and approved, as well as the report prepared by the external consultant engaged by management;
- with the support of our business, financial instruments and real estate valuations experts, the assessment of the appropriateness of the methodology applied as well as of the reasonableness of the assumptions made by the Directors in relation to the purchase price allocation process, as well as the verification of the mathematical accuracy of the related calculations.

Finally, we examined the adequacy of the disclosures provided in the notes to the financial statements.

Impairment test of Goodwill

Goodwill presented in line item 130 of the balance sheet of the consolidated financial

Our audit procedures in response the key audit matter included, amongst others:

statements for the year ended December 31, 2017 amounts to Euro 1,576 million and is allocated to the Retail / Private cash-generating unit (CGU) for Euro 1,502 million while the remaining amount is allocated to the CGU Business / Corporates.

As required by IAS 36 "Impairment of assets", goodwill is not subject to systematic amortization but is subject, at least once a year, to an impairment test performed by comparing the carrying value of the CGU, inclusive of the goodwill, with its recoverable amount.

Management of the Parent Company identified for impairment test purposes the "Value in use" as the proper configuration of the CGU's recoverable amount, determined by discounting the expected cash flows in accordance with the methodology internally developed by the Crédit Agricole S.A. Group and assumptions, which by their nature entail the Directors' use of judgment.

In this context, for the purpose of estimating future cash flows, management used the budget figures for the year 2018, the figures included in the "Medium and Long Term Plan" for the period 2019-2020, while for the period 2021-2022 the growth rates were determined by considering internal dynamics of each aggregate and the point reached in the economic cycle.

Since the amount of goodwill is significant for the financial statements as a whole, also in light of the subjectivity of the assumptions made by the Directors in the process of estimating the recoverable amount of the CGUs, we considered the impairment test of the goodwill as a key audit matter.

The disclosures regarding the impairment test are provided in Part A - Accounting policies and in Part B - Information on the balance sheet of the notes to the financial statements.

- an understanding of the method for determining the recoverable amount adopted by the Bank, as part of their impairment testing process approved by the Board of Directors, and related key controls;
- a comparison of the actual results achieved in the 2017 with the corresponding budget figures, in order to understand the reasons underlying the main differences;
- with the support of our experts in business valuations, the assessment of the appropriateness of the methodology and the reasonableness of the assumptions made by the management to determine the recoverable amount, as well as the verification of the accuracy of the calculations and the sensitivity on the key assumptions.

Finally, we examined the adequacy of the disclosures provided in the notes to the financial statements.

Classification and evaluation of loans to customers

Loans to customers, presented in line item 70 of the consolidated balance sheet, amount to Euro 44,251 million at December 31, 2017, and

Our audit procedures in response to the key audit matter included, amongst others:

3

represent approximately 66%of total assets on the balance sheet.
Determining the impairment of loans to customers represents one of the main estimates whereby management is required use its judgment. Loans for which no objective evidence of losses have been identified on an individual basis are subject to impairment on a collective basis.

Disclosures regarding the changes in the quality of the loans to customers portfolio and on the classification and measurement criteria adopted is provided in Part A - Accounting policies, in Part B - Information on the balance sheet, in Part C - Information on the income statement and in Part E - Information on risks and related hedging policies of the notes to the financial statements.

Because the amount of loans to customers is material for the financial statements as a whole, and considering the complex and judgmental process underlying the identification of events that can change the credit risk of debtors and therefore affect the impairment amount, we identified the classification and evaluation of loans to customers as a key audit matter.

- an understanding of the design and the execution of tests on key controls that have been implemented within the classification and valuation process, in order to verify their effectiveness;
- carrying out a portfolio analysis aimed at understanding, also through discussion with the management, the drivers of changes in the main loan sub-portfolios by risk category and the related loss coverage levels;
- as regards the exposures for which impairment has been estimated on an individual basis, the assessment on a sample basis of the proper application of the bank's impairment policies;
- as regards to the exposures impaired collectively, the assessment of the reasonableness of the assumptions and parameters of the model adopted, as well as the verification on a sample basis of the correctness of the related calculations.

Finally, we examined the adequacy of the disclosures provided in the notes to the financial statements.

Recoverability of the "non-convertible" deferred tax assets

The item 140 "Tax assets" of the consolidated balance sheet includes deferred tax assets amounting to Euro 1,140 million, of which Euro 414 million are not included in the scope of Law 214/2011 ("non-convertible" tax assets into tax credits), mainly deriving from tax losses that can be carried forward indefinitely and from deductible temporary differences.

In order to ascertain the existence of the conditions for the recognition of "non-convertible" deferred tax assets, management assessed their recoverability (as required by the probability test provided for by the international accounting standard IAS 12 "Income Taxes") by considering the expected taxable income solely of the Parent Company, Crédit Agricole Cariparma S.p.A. and on the basis of the merger into the same of Cassa di Risparmio di Cesena

In response to these aspects, our audit procedures included, amongst others:

- an understanding of the process applied to assess the recoverability of "non-convertible" deferred tax assets;
- the analysis of the probability test carried out at the Group level on the basis of the applicable tax legislation and with reference to forecasted taxable income;
- the verification of the probability test calculations.

In carrying out our audit procedures, we also involved our tax experts, in particular with reference to the analysis of the tax ruling requested by the Parent Company to the Tax

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S.p.A. Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A. as resolved by the Board of Directors on 8 February 2018, as well as on the basis of the reasonable outcome of the tax ruling requested from the Tax Authority presented by the Parent Company in compliance with article 172 of the D.P.R. 917/1986.
As a result of this assessment, management confirmed the existence of the conditions for the recognition of the "non-convertible" deferred tax assets.

The disclosures regarding "non-convertible" deferred tax assets is provided in Part A - Accounting policies, in Part B - Information on the balance sheet and in Part C - Information on the income statement of the notes to the financial statements.
The assessment of the recoverability of "non-convertible" deferred tax assets is a key audit matter as their amount is material for the consolidated financial statements as a whole, and because the recoverability assessment is based on a model that requires the use of assumptions and estimates with a high degree of judgment by Management.

Authority pursuant to Article 172 of the Italian Legislative Decree no. 917/1986 and to assess the compliance with the tax regulation of the main assumptions of the probability test made by management.

Finally, we examined the adequacy of the disclosures provided in the notes to the financial statements.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38, dated February 28, 2005 and article 43 of Legislative Decree n. 136, dated August 18, 2015, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern when preparing the financial statements, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Crédit Agricole Cariparma S.p.A., in the general meeting held on April 23, 2012, engaged us to perform the audits of the consolidated financial statements of each year ending from December 31, 2012 to December 31, 2020.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998

The Directors of Crédit Agricole Cariparma S.p.A. are responsible for the preparation of the Management Report and the Report on Corporate Governance and Ownership Structure of Crédit Agrcole Cariparma S.p.A. as at December 31, 2017, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

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 included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998, with the consolidated financial statements of Crédit Agricole Italia Banking Group as at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Management Report and the above-mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Crédit Agrcile Italia Banking Group as at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated December 30, 2016

The Directors of Crédit Agricole Cariparma S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated December 30, 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated December 30, 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, April 5, 2018

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.

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Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

Assets		31.12.2017	31.12.2016
10.	Cash and cash equivalents	1,990,365	223,966
20.	Financial assets held for trading	74,252	91,810
30.	*Financial assets designated at fair value*	99	-
40.	Financial assets available for sale	5,344,090	5,423,218
50.	Investments held to maturity	2,234,277	-
60.	Loans to Banks	7,237,907	4,383,986
70.	Loans to Customers	44,251,456	38,209,279
80.	Hedging derivatives	570,367	749,490
90.	Fair value change of financial assets in macro-hedge portfolios (+/-)	26,085	8,810
100.	Equity investments	33,868	10
110.	Reinsurers' share of technical reserves	-	-
120.	Property, plant and equipment	838,358	519,140
130.	Intangible Assets	1,959,264	1,888,181
	of which: goodwill	1,575,536	1,575,536
140.	Tax assets	1,458,004	1,087,730
	(a) current	317,587	319,298
	(b) deferred	1,140,417	768,432
	b1) pursuant to Italian Law No. 214/2011	725,894	686,948
150.	Non-current assets held for sale and discontinued operations	98	-
160.	Other assets	694,075	406,384
Total assets		**66,712,565**	**52,992,004**

Liabilities and Equity		**31.12.2017**	**31.12.2016**
10.	Due to banks	7,059,113	4,936,319
20.	Due to Customers	40,575,365	31,136,638
30.	Debt securities issued	9,715,753	8,756,041
40.	Financial liabilities held for trading	75,820	103,135
50.	Net Financial liabilities designated at fair value	67,201	-
60.	Hedging derivatives	527,675	748,527
70.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	373,754	550,874
80.	Tax liabilities	231,849	200,227
	(a) current	146,014	114,253
	b) deferred	85,835	85,974
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
100.	Other liabilities	1,126,839	932,931
110.	Employee severance benefits	151,130	146,378
120.	Provisions for risks and charges	433,953	193,326
	(a) Post-employment benefits	40,191	19,045
	b) Other provisions	393,762	174,281
130.	Technical reserves	-	-
140.	Valuation reserves	-18,941	-13,429
150.	Redeemable shares	-	-
160.	Equity instruments	365,000	200,000
170.	Reserves	1,150,176	1,078,826
180.	Share premium reserve	2,997,386	2,735,462
190.	Share Capital	934,838	876,762
200.	Treasury shares (+/-)	-4,065	-4,035
210.	Equity attributable to minority interest	259,479	205,898
220.	Profit (Loss) for the year	690,240	208,124
Total liabilities and shareholders' equity		**66,712,565**	**52,992,004**

CONSOLIDATED INCOME STATEMENT

Items		31.12.2017	31.12.2016
10.	Interest income and similar revenues	1,016,183	1,070,801
20.	Interest expenses and similar charges	(149,960)	(195,823)
30.	**Net interest income**	**866,223**	**874,978**
40.	Fee and commission income	781,817	710,132
50.	Fee and commission expense	(47,756)	(29,595)
60.	Net fee and commission income	734,061	680,537
70.	Dividends and similar revenues	8,839	8,742
80.	Net profit (losses) on trading activities	18,510	16,307
90.	Net profit (losses) on hedging activities	(12,592)	(7,118)
100.	Profit (losses) on disposal or repurchase of:	26,316	30,051
	a) loans	(15,260)	(16,519)
	b) financial assets available for sale	43,128	48,851
	c) investments held to maturity	-	-
	d) financial liabilities	(1,552)	(2,281)
110.	*Profit (losses) on financial assets and liabilities designated at fair value*	(30)	-
120.	**Net interest and other banking income**	**1,641,327**	**1,603,497**
130.	Net losses/recoveries on impairment of:	(237,536)	(221,058)
	a) loans	(212,736)	(221,133)
	b) financial assets available for sale	(23,344)	(655)
	c) investments held to maturity	-	-
	d) other financial activities	(1,456)	730
140.	**Net income from banking activities**	**1,403,791**	**1,382,439**
150.	Net premium income	-	-
160.	Balance of other revenues/expenses from insurance activities	-	-
170.	**Net income from banking activities and insurance activities**	**1,403,791**	**1,382,439**
180.	Administrative expenses:	(1,213,456)	(1,236,441)
	a) Personnel expenses	(610,772)	(636,926)
	b) Other administrative expenses	(602,684)	(599,515)
190.	Net provisions for risks and charges	(58,219)	(17,277)
200.	Impairments/recoveries on property, plant and equipment	(32,163)	(29,938)
210.	Impairments/recoveries on intangible assets	(71,877)	(67,029)
220.	Other operating expenses/income	770,410	286,977
230.	Operating costs/expenses	(605,305)	(1,063,708)
240.	Profit (losses) on equity investments	8,048	9,766
250.	Profit (losses) from property, plant and equipment and intangible assets designated at fair value	-	-
260.	Impairment on goodwill	-	-
270.	Profit (losses) on disposals of investments	349	(244)
280.	**Profit (loss) before taxes from continuing operations**	**806,883**	**328,253**
290.	Taxes for the period on income from continuing operations	(105,003)	(109,285)
300.	**Profit (loss) from continuing operations, net of taxes**	**701,880**	**218,968**
310.	**Profit (loss) from discontinued operations, net of taxes**	**-**	**-**
320.	**Net Profit (Loss) for the year**	**701,880**	**218,968**
330.	Net profit (loss) for the year attributable to minority interest	(11,640)	(10,844)
340.	**Net profit (loss) for the period attributable to the Parent Company**	**690,240**	**208,124**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2017	31.12.2016
10.	**Net profit (loss) for the FY**	**701,880**	**218,968**
	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	(794)	(3,972)
50.	Non-current assets held for sale	-	-
60.	Share of Valuation Reserves on equity investments measured using the equity method	(1,170)	-
	Other comprehensive income after taxes reversed in profit or loss		
70.	Hedges of investments in foreign operations	-	-
80.	Exchange rate differences	-	-
90.	Cash flow hedges	-	-
100.	Financial assets available for sale	(4,398)	(90,308)
110.	Non-current assets held for sale	-	-
120.	Share of Valuation Reserves on equity investments measured using the equity method	1,125	-
130.	**Total other comprehensive income after taxes**	**(5,236)**	**(94,280)**
140.	**Comprehensive income (Item 10+130)**	**696,644**	**124,688**
150.	Consolidated comprehensive income attributable to minority interest	11,448	6,608
160.	**Consolidated comprehensive income attributable to the Parent Company**	**685,195**	**118,080**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2017

	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 DEC. 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 DEC. 2016	**61,070**	**99,941**	**31,181**	**2,939**	**887**		**-964**	**10,844**	**205,898**
ALLOCATION OF NET PROFIT FOR PREVIOUS YEAR									
Reserves	-	-	89,205	-	-	-	-	-89,205	-
Dividends and other allocations	-	-	-	-	-	-	-	-129,763	-129,763
CHANGES FOR THE YEAR									
Change in reserves	-	-	-13	-	-	-	-	-	-13
Transactions on equity	-	-	-	-	-	-	-	-	-
Issue of new shares	60,506	263,544	-	-	-	-	-	-	324,050
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-15,640	-	-	165,000	-	-	149,360
Charity	-	-	1,512	-	-	-	-	-	1,512
Consolidation adjustments	-712	16,121	-3,794	-	-26	-	-	-	11,589
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	-	-	-	-	-	-
Changes in equity interests	37,568	17,343	-21,314	-	-442	-	-29	-	33,126
Comprehensive income	-	-	-	-	-5,236	-	-	701,880	696,644
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2017	**934,838**	**2,997,386**	**1,164,710**	**-14,534**	**-18,941**	**365,000**	**-4,065**	**690,240**	**6,114,634**
MINORITY INTEREST AS AT 31 DEC. 2017	**100,356**	**135,025**	**9,787**	**2,939**	**695**	**-**	**-963**	**11,640**	**259,479**

CONSOLIDATED STATEMENT OF CHANGES IN 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 DEC. 2015	876,762	2,735,462	1,029,228	-15,156	76,615	-	-	220,636	4,923,547
MINORITY INTEREST AS AT 31 DEC. 2015	61,502	102,913	31,877	2,939	5,123	-	-	10,248	214,602
ALLOCATION OF NET PROFIT FOR 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	-	-	-	-	662
Comprehensive income	-	-	-	-	-94,280	-	-	218,968	124,688
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 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 DEC. 2016	61,070	99,941	31,181	2,939	887	-	-964	10,844	205,898

CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2017

	31.12.2017	31.12.2016
A. OPERATIONS		
1. Cash flow from (used in) operations	**1,815,128**	**1,163,805**
- Profit (Loss) for the year (+/-)	690,240	208,124
- Profit (losses) on financial assets held for trading and financial assets/liabilities designated at fair value (-/+)	-7,131	-1,910
- Profit/losses on hedging activities (-/+)	8,307	7,118
- Net losses/recoveries on impairment (+/-)	197,541	194,919
- Net adjustments to/recoveries on property, plant and equipment and intangible assets (+/-)	104,040	96,967
- Net provisions for risks and charges and other expenses/revenues (+/-)	58,219	17,277
- Unpaid taxes and tax credits (+)	105,003	109,285
- Other adjustments (+/-)	658,909	532,025
2. Cash flow generated/absorbed by financial assets/Cash flow from (used in) financial assets	**-1,527,633**	**-3,193,456**
- Financial assets held for trading	23,618	10,916
- Financial assets available for sale	1,807,440	278,548
- Loans to Banks: on demand	-118,248	-4,506
- Loans to Banks: other receivables	-2,044,954	-1,510,371
- Loans to Customers	-1,470,902	-1,876,889
- Other assets	275,413	-91,154
3. Cash flows from/used in/generated/absorbed by financial liabilities	**3,331,074**	**940,723**
- Due to banks: on demand	131,276	-140,908
- Due to banks: other due and payables	589,967	787,600
- Due to Customers	3,743,012	2,734,187
- Debt securities issued	165,703	-1,821,407
- Financial liabilities held for trading	-37,479	-14,337
- Other liabilities	-1,261,405	-604,412
Net cash flow from/used in/generated/absorbed by operating activities	**3,618,569**	**-1,088,928**
B. INVESTING ACTIVITIES		
1. Cash flows from/generated by	**10,038**	**21,516**
- Sales of equity investments	-	12,667
- Dividend received on equity investments	8,839	8,742
- Sales of property, plant and equipment	1,199	107
2. Cash flow used in/absorbed by	**-1,660,255**	**-123,081**
- Purchases of equity investments	-21,799	-
- Purchases of investments held to maturity	-2,234,277	-
- Purchases of property, plant and equipment	-36,528	-61,897
- Purchases of intangible assets	-60,517	-61,184
- Purchases of business units	692,866	-
Net cash flows from/used in investing activities	**-1,650,217**	**-101,565**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	-221,550	-5,000
- Issues/purchases of equity instruments	149,360	200,000
- Distribution of dividends and other	-129,763	-170,730
Net cash flows from/used in financing activities	**-201,953**	**24,270**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	**1,766,399**	**-1,166,223**

RECONCILIATION

Financial Statement items	**31.12.2017**	**31.12.2016**
Opening cash and cash equivalents	223,966	1,390,189
Total net increase/decrease in cash and cash equivalents for the year	1,766,399	-1,166,223
Closing cash and cash equivalents	**1,990,365**	**223,966**

KEY: (+) from (–) used in/(+) generated (–) absorbed

Consistently with the amendment to IAS 7, adopted with Commission Regulation (EU) 2017/1990 of 6 November 2017, to be applied as from the commencement date of the first financial year starting on or after 1 January 2017, the disclosures required by paragraph 44 B in order to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

	31.12.2016	Changes from financing cash flows	Changes arising from obtaining or losing control of subsidiaries or other businesses	Changes In fair values	Other changes	31.12.2017
Liabilities arising from financing activities (items 10, 20, 30, 40, 50 of Liabilities)	44,932,133	4,446,234	8,216,500	-101,615	0	57,493,252

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 Legislative Decree No. 38 of 28 February 2005, in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (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 2017 (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 on18 November 2009, 21 January 2014, 22 December 2014 and 15 December 2015.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND ENTERED INTO FORCE IN 2017

Standards, amendments or interpretations	Date of publication	Date of first application
Amendment to IAS 7 – Statement of Cash Flows: Disclosure on liabilities arising from financing activities	9 November 2017 (EU No. 1990/2017)	1 January 2017
Amendments to IAS 12 – Income taxes Recognition of deferred tax assets for unrealised losses	9 November 2017 (EU No. 1989/2017)	1 January 2017

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

Commission Regulation (EU) 2017/1989 of 6 November 2017 – IAS 12 “Recognition of deferred tax assets for unrealised losses”

The amendments aim to clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The amendments shall be applied at the latest, as from the commencement date of financial years starting on or after 1 January 2017.

Commission Regulation (EU) 2017/1990 of 6 November 2017 – IAS 7 “Disclosure Initiative”

The amendments are intended to improve information on an entity’s financial liabilities; therefore, an entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments shall be applied at the latest, as from the commencement date of financial years starting on or after 1 January 2017.

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

Standards, amendments or interpretations	Date of publication	Date of first application
IFRS 15 Revenue from Contracts with Customers Replacement of IAS 11 Construction Contracts and IAS 18 Revenue	29 October 2016 (EU No. 1905/2016)	1 January 2018
IFRS 9 Financial instruments Replacement of IAS 39 Financial Instruments: Recognition and Measurement	29 November 2016 (EU No. 2067/2016)	1 January 2018
IFRS 16 Leases Replacement of IAS 17 for recognition of leases	9 November 2017 (EU No. 1986/2017)	1 January 2019
Clarifications to IFRS 15 Revenue from Contracts with Customers	9 November 2017 (EU No. 1987/2017)	1 January 2018
Amendment to IFRS 4 Insurance Contracts Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	9 November 2017 (EU No. 1988/2017)	1 January 2018

IFRS 15 Revenue from Contracts with Customers

IFRS 15 “Revenue from Contracts with Customers” shall be applicable to annual reporting periods beginning on or after 1 January 2018 (in compliance with Regulation (EU) no 1905/2016).

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 figure 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.

Based on the conclusions drawn from the impact analysis carried out in the first half of 2016, no significant impacts are expected on the profit (loss) of the Crédit Agricole Italia Banking Group.

IFRS 9 Financial Instruments

For reporting periods starting on or after 1 January 2018, IFRS 9 “Financial Instruments” shall replace IAS 39 “*Financial Instruments*”. recognition and measurement”. IFRS 9 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) or equity 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 contractual characteristics.

The standard provides 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 over the instrument life and selling the financial assets; this model provides for both selling the financial asset and for collecting cash flows;
- 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 security 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.

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 model according to the opportunities and upon condition 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 falling within the Sell business model.

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:
- A marginal increase in financial assets measured at fair value for the reclassification of OICR and of some own funds instruments within this category, which shall result in higher volatility on the profit (loss) for the year;
- The classification at amortized cost of most loans and receivables/credit claims, upon condition that they comply with the SPPI test;
- The classification of debt instruments at fair value with impact taken to equity and with recycling or their classification at amortized cost in accordance with the business model as substantiated on the date of first application.

Impairment

IFRS 9 provides for a new impairment model requiring the recognition of "*Expected Credit Losses*" or "*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.

This *newECL* approach is designed to result in earlier recognition of expected credit losses, since the impairment model provided for by IAS 39 their recognition is subject to the occurrence of an objective loss event.

ECLs are defined 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 macroeconomic information; 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 has three different "buckets":
- First bucket: from the initial recognition of the instrument (loan, debt security, guarantee), the entity shall recognize expected credit losses over twelve 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 transaction 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 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 used for regulatory purposes.

In this way, a debtor will be considered defaulted if at least one of the two conditions here below is met:
- Payment delayed by generally 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 for 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 the IFRS 9 scope and is expected to be still governed by IAS 39.

However, upon first adoption of IFRS 9, two options are possible:
- Applying the Hedge accounting rules provided for by IFRS 9;
- Continuing to apply IAS 39 up to the adoption of IFRS 9 for the set of hedges (at the latest until the standard 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 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 the first 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, in 2016, the Crédit Agricole Italia Banking Group participated in the Group's main projects, namely:
- Regulatory projects, identifying the main impacts on the balance sheet and setting the target impairment process of the Group, which resulted in the preparation of a common methodological framework;
- Methodological projects for the definition of the possible options regarding the formula for impairment, significant deterioration and forward-looking calculation;

- 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.

Representatives of the Crédit Agricole Italia Banking Group constantly participated in the *Comité de Pilotage* of the Parent Company CA.sa.

Some provisional simulations of the impact generated by the new standard 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 the Group level.

The implementation works continued in 2017 including 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.

IFRS 16 LEASES

IFRS 16 “Leases”, applicable to annual reporting periods starting on or after 1 January 2019, shall replace IAS 17 all all related interpretations (IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

The standards 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.

IIn 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, as part of it, consistently on the Crédit Agricole Italia Banking Group, was carried out in 2017. The Group is currently working to define the structuring options associated with the standard interpretation.

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 equity 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 2017 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).

Along with the figures for the reporting year, the financial statements and the Note also contain comparative figures for the year ended as at 31 December 2016.

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;
- Making estimated within Purchase Price Allocation.

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 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 S.p.A., directly or indirectly, holds at the same time:

- the power to influence the Investee's relevant activities, i.e. the activities that significantly affect the investee's returns;
- exposure and/or rights to variable returns of the Investee;
- the ability to exercise its power over the Investee to affect the amount of its returns.

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

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 interests, under a separate dedicated item, the value of the equity investment is derecognized with the remaining value of the equity of the subsidiary as the balancing item.

Positive differences resulting from this operation are reported under "Intangible assets" as goodwill or other intangible assets, after recognition- where any – under other asset and liability items of the subsidiary. Negative differences are taken to the Income Statement.

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 period is recognized under a specific item in the consolidated 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 2017.

Where necessary – and with the exception of marginal instances – any Financial Statements prepared by the consolidated companies on the basis of other accounting standards are adjusted to be fully compliant with the Group's accounting policies. In a few marginal instances, the companies do not apply the IASs/IFRSs and, therefore, for such companies it was assessed that application of the IASs/IFRSs would have caused no material effects on the Consolidated Financial Statements of the Crédit Agricole Italia Banking Group.

1. Equity investments in subsidiaries

The following table shows the equity investments included within the scope of consolidation, reporting:
- The method of consolidation;
- The type of control;
- The Investee Company;
- The percentage of voting rights held by the Investor.

Company name	Headquarters	Type of investee	Equity investment		Actual % of votes available
			Investor	% held	
A. Companies					
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.	80.93%	81.31%[2]
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.	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 Credit 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%
9. Crédit Agricole Real Estate Italia S.r.l.	Parma, Italy	1	Crédit Agricole Cariparma S.p.A.	100.00%	100.00%
10. Cassa di Risparmio di Rimini S.p.A	Rimini, Italy	1	Crédit Agricole Cariparma S.p.A.	95.30%	95.30%
11. Cassa di Risparmio di Cesena S.p.A.	Cesena, Italy	1	Crédit Agricole Cariparma S.p.A.	95.30%	95.30%
12. Cassa di Risparmio di San Miniato S.p.A.	San Miniato, Italy	1	Crédit Agricole Cariparma S.p.A.	95.30%	95.30%
13. Unibanca Immobiliare S.r.l.	Cesena, Italy	1	Cassa di Risparmio di Cesena S.p.A.	100.00%	100.00%
14. Carice Immobilare S.p.A.	Cesena, Italy	1	Cassa di Risparmio di Cesena S.p.A.	100.00%	100.00%
15. Agricola Le Cicogne S.r.l.	Faenza, Italy	1	Cassa di Risparmio di Cesena S.p.A.	50.01%	50.01%
16. Malatesta Finance S.r.l.[3]	Cesena, Italy	4	Cassa di Risparmio di Cesena S.p.A.		
17. San Piero Immobiliare Srl	Cesena, Italy	1	Unibanca Immobiliare S.r.l.	100.00%	100.00%
18. San Giorgio Immobiliare S.r.l.	Cesena, Italy	1	Unibanca Immobiliare S.r.l.	100.00%	100.00%
19. San Genesio Immobiliare S.p.A.	San Miniato, Italy	1	Cassa di Risparmio di San Miniato S.p.A.	100.00%	100.00%
20. Carismi Finance S.r.l.[3]	Milan, Italy	4	Cassa di Risparmio di San Miniato S.p.A.		
A2. Consolidate con il metodo del patrimonio netto					
1. Fiere di Parma S.p.A.	Parma, Italy	7	Crédit Agricole Cariparma S.p.A.	35.85%	35.85%

(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
7= joint control

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

(3) Companies consolidated on a line-item basis are also Malatesta Finance S.r.l. and Carismi Finance S.r.l., which qualify as subsidiaries pursuant to IFRS 10 even though no equity investment is held in these companies. Based on the method used to recognize the securitization transaction, the main income statement and balance sheet components of the special-purpose entities have been consolidated in practice in the financial statements of the originator banks.

2. Significant considerations and assumptions to determine the scope of consolidation

As specified above, subsidiaries are companies regarding which Crédit Agricole Cariparma is the investor that is exposed to or has right to variable returns from its involvement with such investees and, at the same time, has the ability to affect those returns through its power over such investees.

Specifically, the Group takes the following factors into account to assess whether control is held:

- The investee's purpose and structure, in order to identify the entity's objectives, its relevant activities, i.e. the activities that significantly affect the investee's returns, and how such activities are directed;
- Power, in order to understand whether the Group has contractual rights giving the ability to direct the relevant activities;
- Exposure, or rights, to variable returns from its involvement with the investee, in order to assess whether the return received by the Group could potentially change based on the investee's performance.

In accordance with IFRS 10, "relevant activities" are only those activities that significantly affect the investee's returns.

In general terms, when relevant activities are directed through voting rights, the following factors give evidence of control:

- Holding, directly or indirectly through its subsidiaries, more than half of the voting rights of an investee, unless, in exceptional cases, it can be clearly proved that holding more than half of the voting rights does not amount to holding control;
- Holding half or less than half the voting rights that can be exercised at the general meeting and practical ability to direct the relevant activities unilaterally through:
  - Control over more than half of the voting rights through a contractual arrangement with other investors holding voting rights;
  - The power to determine the investee's operating and financing policies pursuant to the entity's articles of association or to a contract arrangement;
  - The power to appoint or remove the majority of the members of the board of directors or of the equivalent corporate governance body;
  - The power to exercise the majority of the voting rights at meetings of the board of directors or of the equivalent corporate governance body.

In order to exercise power, the rights held by the Group over the investee must be substantive; in order for rights to be substantive, their holder must have the practical ability to exercise them when decisions on relevant activities are made.

The existence and effect of potential voting rights, if substantive, are taken into account in assessing whether the power to direct another entity's operating and financing policies is held.

Sometimes, the Group may have the "practical ability" to exercise control over some entities, when, despite holding less than a majority of the voting rights, it has rights that are sufficient to give it the power to direct the investee's relevant activities unilaterally.

Subsidiaries may include also any "structured entities", in which voting rights are not decisive factors to determine whether control is held, including special-purpose entities/vehicles (SPE/SPV).

3. Equity investments in subsidiaries with significant minority interests

3.1 MINORITY INTERESTS, AVAILABILITY OF MINORITY INTEREST VOTES AND DIVIDENDS DISRIBUTED TO MINORITY INTERESTS

Company name	% minority interests	% of minority interest votes available	Dividends distributed to minority interests
1. Crédit Agricole FriulAdria S.p.A.	19.07%	18.69%	8,246
2. Crédit Agricole Carispezia S.p.A.	20.00%	20.00%	5,024
3. Crédit Agricole Leasing Italia S.r.l.	15.00%	15.00%	-

3.2 INVESTEES/EQUITY INVESTMENTS WITH SIGNIFICANT MINORITY INTERESTS: ACCOUNTING DATA

Name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Equity	Net interest income	Net banking income	Operating costs/ expenses	Profit (loss) before taxes from continuing operations	Profit (loss) from continuing operations, net of taxes	Profit (Loss) from discontinuing operations, net of taxes	Profit (Loss) for the year (1)	Other income components after taxes (2)	Comprehensive Income (3) = (1) + (2)
1. Crédit Agricole FriulAdria S.p.A.	10,370,718	43,843	1,133,418	180,311	7,736	731,136	162,642	301,668	-187,863	78,492	50,131	-	50,131	2,299	52,430
2. Crédit Agricole Carispezia S.p.A.	4,477,685	31,497	551,295	50,420	3,171	222,472	73,448	148,231	-90,189	46,251	30,056	-	30,056	-886	29,170
3. Crédit Agricole Leasing Italia S.r.l.	1,951,653	-	-	18,346	-	108,686	29,150	30,104	-8,797	-11,641	-8,357	-	-8,357	4	-8,353

5. Other information

In the Consolidated Financial Statements as at 31 December 2017, the company Mondo Mutui Cariparma was included in the consolidation perimeter, since it is a special-purpose vehicle (SPV) 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 SPV's operations

In September 2017, the Crédit Agricole Real Estate Italia Srl company was incorporated by Crédit Agricole Cariparma S.p.A. As at 31 December 2017, the Company was dormant.

Moreover, again in September 2017, Crédit Agricole Cariparma S.p.A. acquired 17% of the share capital of Parma consisting of 431,818 shares owned by local and regional public authorities, for a total price of Euro 10.7 million. With the addition of the newly-acquired shares, the equity investment held by the Bank came to 35.35% of the share capital.

On 21 December 2017, Crédit Agricole Cariparma finalized the acquisition of Cassa di Risparmio di Rimini, Cassa di Risparmio di Cesena and Cassa di Risparmio di San Miniato, including their investees and special-purposes entities, which, consequently, entered the consolidation perimeter as at 31 December 2017. For more exhaustive reporting on this transaction, please refer to Part G herein.

Section 4 – Events occurred after the reporting date

From 31 December 2017 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

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 S.p.A. 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 audited by EY S.p.A, implementing the Resolution passed by the General Meeting of Shareholders on 24 April 2012, whereby this Firm was assigned this task for the period 2012-2020.

The 2017 Annual Reports and Financial Statements of the three Fellini Banks were also audited by EY S.p.A.

PUBLICATION OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The draft Annual Report and Consolidated Financial Statements as at 31 December 2017 of the Crédit Agricole Italia Banking Group were approved by the Board of Directors at its meeting held on 27 March 2018 and the Board authorized their publication, also pursuant to IAS 10.

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 have 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 the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

To measure the fair value of financial instruments that are 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 reports 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, as regards loans, at the date they are paid out. 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 taken to the Income statement.

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

Equity securities included in this category, for which the fair value cannot be reliably determined, are recognized at cost. Poorly tradable equity instruments and UCITS are measured including a 10% illiquidity discount.

“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 net profit (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 that the financial instrument would have had if the loss had not been 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 substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

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 reports 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 fair value 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.

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

If such evidence exists, the amount of this loss is measured as the difference between the book value of the asset and the current 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 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 are 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 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 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 if prior adjustments had not been made.

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) 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 receivable is retained, they continue to be recognized, even though legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, loans and receivables are derecognized where no form of control over them 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, transferred loans and receivables 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, should the risk event take place.

The following types of hedges are used:

- Fair value hedges: these are used to hedge exposures to changes in the fair value (attributable to the different types of risk) of assets and liabilities or portions thereof, groups of assets and liabilities, irrevocable commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39 that was 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 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 mismatch between financial assets and liabilities cannot be macrohedged. 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 the changes in the fair value of the hedging derivative, 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.

Equity investments have been recognized at cost.

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.

Having regard to the acquisition of the Fellini equity investment for a total amount of Euro 130 million, a transaction that is exhaustively reported in Part G, no impairment was found.

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

If the reasons for impairment are removed subsequent to an event occurring after the impairment loss recognition, 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	33 years (1)
- High-end property	No depreciation
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 and/or items having artistic or historical value;
- Works of art, since their useful life cannot be estimated and their value normally increases over time.

If there is evidence of impairment of the asset, the asset's book value is compared to its recoverable value. Any adjustments are recognized in the Income Statement.

If the reasons for impairment cease to exist, a writeback is recognized. The book value following the writeback shall not exceed the value the asset would have had, net of depreciation, in the absence of the prior writedown.

Cassa di Risparmio di San Miniato, one the recently-acquired entities, recognizes investment property at fair value, which is periodically determined with specific expert appraisals.

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 accumulated amortization and of any accumulated impairment losses. Intangible assets' useful life is assessed as finite or indefinite.

Intangible assets with finite useful life are amortized over their useful life and are tested for impairment every time signals of possible impairment are detected. The amortization period and approach for intangible assets with finite useful life are reassessed at least at the end of every year.

Changes in the expected useful life or in the modalities with which the future economic benefits linked to the assets will be received are recognized through the change in amortization period or 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 cash-generating unit level.

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

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

DERECOGNITION

Intangible assets are derecognized from the Balance Sheet when disposed of or when no future economic benefits are expected to be generated by the asset.

Profits or losses resulting from the derecognition of intangible assets are calculated as the difference between the net disposal revenue and the book value of the intangible asset and are recognized in the Income Statement for the year in which the derecognition is made.

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

These assets/liabilities are 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 prudential forecasts of the current tax liability and deferred tax assets and liabilities. Specifically, deferred tax assets and liabilities are calculated on the basis of temporary differences – without time restrictions – between the value attributed to an asset or a liability pursuant to the Italian Civil Code and the corresponding values used for tax purposes.

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.

The related probability test is determined taking account of the estimated future profits of the single Companies, of temporary differences and of estimated permanent differences. In addition, where necessary, it is also taken into account whether the Companies concerned belong to the Tax Consolidation scheme pursuant to Article 117 of Italian Presidential Decree No. 917/86, as well as the subsequent ability to absorb such values within the estimated income of the Consolidation Scheme.

In order to verify that the conditions to recognize deferred tax assets were met, the Management assessed the income capacity of the single Savings Banks and of the Group, the latter in view of the expected favourable outcome of the tax ruling petition submitted pursuant to Article 172 of the Italian Consolidated

Act on Income Taxes (TUIR) and based on the resolutions passed on 8 February 2018 by the Boards of Directors of the Parent Company and of the three Savings Banks for their merger by absorption into the Parent Company. Based on the aforementioned assessment, the Management ascertained that the conditions to recognize deferred tax assets "non-convertible into tax credits" were met.

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 transactions entailing their taxation will be carried out.

Deferred tax assets and liabilities are recognized in the Balance Sheet with open balances without any offsetting, the former under the "Tax Assets" item, the latter under the "Tax Liabilities" one.

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

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 (PUC) method. Under this method, future outlays are projected based on analyses of time series and the demographic curve and the discounting of these cash flows using market interest rates, as set forth in the relevant tables in the Note to the Financial Statements. Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

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

The "Due to banks", "Due to customers" and "Debt securities issued" items report all forms of interbank and customer funding, repurchase agreements and funding through certificates of deposit, bonds and other funding instruments issued, less any amounts repurchased.

RECOGNITION

These financial liabilities are initially recognized upon the signing of the relevant contract, which is usually the date of receipt of the funds raised or of the issue of debt securities.

These financial liabilities are initially recognized at fair value, which usually is equal to the amount collected or the issue price plus any additional expenses/income that can be directly attributed to the single financing or issue transaction. Internal administrative expenses are excluded

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 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. Net Financial liabilities designated at fair value

CLASSIFICATION

Financial liabilities that are intended to be measured at fair value through the Income Statement are classified in this category when:

- Their designation at fair value allows elimination or reduction of significant distortions in the accounting representation of performance of financial instruments in the Income Statement or in the Balance Sheet; or
- The management and/or measurement of a group of financial instruments at fair value through the Income Statement is consistent with with a risk management or investment strategy that has been substantiated on this basis also to the Top Management; or
- The concerned instrument contains an embedded derivative that can materially modify the cash flows of the host contract and that must be separated and accounted for as a stand-alone derivative.

Financial liabilities that are “hedged” using derivative instruments are classified in this item, especially fixed-rate and structured bonds, the market risk of which is systematically hedged using derivative instruments.

RECOGNITION

Financial liabilities are initially recognized at the issue date for debt securities.

Upon initial recognition, Net Financial liabilities designated at fair value are recognized at their fair value that is generally equal to the collected consideration, without taking account of transaction costs or revenues directly attributable to the instruments, with such costs or revenues taken directly to the Income Statement.

The fair value of any financial liabilities issued at conditions other than market ones is specifically estimated and any difference vs. the collected consideration is taken directly to the Income Statement, exclusively when the conditions provided for by IAS 39 are met.

MEASUREMENT

After initial recognition, financial liabilities are designated at fair value.

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 are based on information available on the market, such as: methods based on the price of listed instruments with similar features, discounted cash flows, option pricing models and values reported for recent comparable transactions.

DERECOGNITION

Financial liabilities are derecognised when they mature or are settled. Liabilities are also derecognized when previously issued securities are repurchased. The difference between the liability book value and the amount paid to purchase such liability is recognized in the Income Statement under item 110 “Net profit (loss) on financial assets and liabilities designated at fair value”.

16. Foreign currency transactions

INITIAL RECOGNITION

Transactions in a foreign currency are initially recognized in the reporting currency by translating the foreign currency amount at the exchange rate in force on the date of the transaction.

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 related exchange rate difference is also recognized in the Income Statement.

17. Other information

BUSINESS COMBINATIONS

Business combinations are recognized in accordance with IFRS 3 “Business Combinations”.

This standard requires business combinations to be recognized using the “acquisition method” of accounting, based on which assets, liabilities and contingent liabilities of the acquiree are measured at acquisition-date fair value.

Any portion of the price paid exceeding the acquisition-date fair values shall be recognized as goodwill or as other intangible assets; if the price is lower than acquisition-date fair value, the difference shall be taken to the Income Statement.

The “acquisition method” shall be applied from the acquisition date, i.e. the date on which control over the acquiree is actually obtained. Therefore, profit or losses of a subsidiary acquired in the period are reported in the Consolidated Financial Statements starting from the date of its acquisition. Conversely, profit or losses of a subsidiary sold in the period are reported in the Consolidated Financial Statements up to the date on which control is transferred

Business combinations between entities under common control are not within IFRS 3 scope of application, nor are they governed by other IFRSs; therefore, these business combinations are defined in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Indeed, IASs/IFRSs provide specific guidelines to be followed for any transactions that are not within the IFRS scope of applications, which are described in paragraphs 10–12 of IAS 8 and require the Management to consider also the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards.

In this regard, it is pointed out that the Financial Accounting Standards Board (FASB) published a financial accounting standard concerning business combinations (FAS 141), which, for several aspects, is similar to IFRS 3, but, unlike the latter, it includes, as an appendix, limited accounting guidelines regarding business combinations between entities under common control, previously described in the Accounting Principles Board (APB) Opinion. For this type of transactions, this method (“pooling-of-interests method”) provides for recognition of assets and liabilities at historical values (book values) of the combined businesses, rather than at their respective fair values without recognizing goodwill.

This solution was essentially endorsed and adopted in Italy by the Italian Association of Auditors of the Accounts (Assirevi), with Documents OPI No. 1R regarding the accounting treatment of “business combinations of entities under common control" and OPI No. 2R regarding the accounting treatment of mergers.

Therefore, "intra-group" business combinations or business combinations between "entities under common control" within the Crédit Agricole Italia Banking Group are recognized based on the book value of the transferred entities. If the consideration paid to acquire the equity interest is different from the book value of the transferred entity, because of recognized goodwill, the difference shall be recognized as a decrease in equity of the acquirer Company and the transaction shall be classified as extraordinary distribution of reserves.

Exactly in the same way, if an entity is sold, the received consideration shall be recognized directly in an equity reserve, since it is essentially a capital contribution made by the other companies of the Group the reporting entity belongs to.

CONTRIBUTIONS TO THE SINGLE RESOLUTION FUND

The Bank Recovery and Resolution Directive (BRRD – 2014/59/EU) lays 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 both 2016 and 2017, the share of irrevocable payment commitments allowed to be used by Banks is 15% of total contributions. To secure full payment of the total contributions, intermediaries are required to give eligible assets as collateral that, for the two years in question, may consist only of cash.

In 2017, 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 2017 financial year, calculated pursuant to Delegated Regulations of the European Commission No. 2015/63 and 2015/81. This contribution was determined by the Single Resolution Board in cooperation with the Bank of Italy.

It is reported that the Bank exercised the option to settle 15% of its total contribution through irrevocable payment commitments.

The ex-ante ordinary contribution to the Single Resolution Fund, net of IPCs, to be paid by the Crédit Agricole Italia Banking Group for 2017 amounts to Euro 11.5 million.

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).

Financial resources are raised on a prior basis by the Fund that asks all the Banks within the scheme to pay a contribution proportional to their respective share in the FITD.

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 schemes, 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 IASs/IFRSs. This asset is an equity investment. The Crédit Agricole Italia Banking Group recognized an equity investment classified under "Financial Assets available for sale".

In accordance with the resolutions passed by the Management Board of the FIDT Voluntary Scheme in 2016 and 2017, total contributions paid by the Crédit Agricole Italia Banking Group amounted to Euro 25.2 million and, for such contributions, equity securities were recognized in the "Financial Assets available for sale" category.

In 2017, these securities were fully written down for impairment.

The total contribution paid by the Crédit Agricole Italia Banking Group in 2017 was Euro 16.6 million.

LEASES

Leases have been recognized in accordance with 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 transfer all risks and rewards of ownership; otherwise, leases are classified as operating leases.

For finance lease contracts entered into by the Crédit Agricole Italia Banking Group as the lessor, the leased assets are recognized as receivables in the Balance Sheet with a value equal to the lease net investment, while interest income (financial components of lease 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 loan 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 attributed to net investment increase include only the additional costs which are directly attributable to negotiating and finalizing the finance lease transaction which are certain and immediately determinable upon the initial recognition of the lease receivable, such as commission and legal expenses.

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 costs of these shares and any gains or losses resulting from their subsequent sale are recognized as changes in Equity.

LEASEHOLD IMPROVEMENT

The costs of renovating leased property are capitalized in consideration of the fact that, for the duration of the lease, the lessee company has control over and enjoys the future economic benefits of the assets. These costs, classified among “Other Assets” as required by the aforementioned 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, 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 accumulated amortization. These guarantees are recognized under "Other Liabilities", pursuant to the aforementioned 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 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 measured. Specifically:

- Interest revenues are recognized on an accrual basis, using the contractual interest rate or the effective interest rate where the amortized cost method is applied;
- Default interest, if any is contractually provided for, is recognized in the Income Statement only upon collection;
- Dividends are recognized in the Income Statement when their distribution is authorized;
- Fee and commission income for revenues from services is recognized, in accordance with the terms of the relevant agreements, 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 vs. the fair value is recognized in the Income Statement over the transaction duration through 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 if appropriate documentation is provided. However, certain fair value parameters are calculated on a net basis, when a group of financial assets and financial liabilities is managed based on its net exposure to market or credit risks. This is the case 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 is used which is defined as “official”, as at the closure of the reference period.

In the case of financial instruments for which the bid-ask spread is immaterial, or for financial assets and liabilities capable of offsetting market risk, a “mid price” is used, i.e. the average market price (on the last day of the reference period) instead of the bid or ask price.

Where there is no active, liquid market, the fair value of financial instruments is 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 parameter.

Derivative contracts are measured using specific calculation algorithms and specific numerical procedures according to the type of the different categories of transactions.

Stocks are measured considering the direct transactions, that is, significant transactions on the security registered in a sufficiently short timeframe with respect to the time of measurement and in constant market conditions, comparable transactions by companies operating in the same sector and supplying the same type of products/services as the associated company being evaluated provides, application of the average of significant stock exchange multiples of companies of a comparable financial size to the financial aggregates of the investee and, finally, financial, income and equity measurement methods.

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:

- The fair values of 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 their book value as initially recognized and net of collective/individual writedowns;
- The book value of non-performing loans (bad loans, unlikely-to-pay and past-due positions) is deemed to be a reasonable fair value approximation;
- The book value initially recognized of floating-rate and short-term fixed-rate securities is deemed a reasonable fair value approximation, due to the fact that it reflects both the change in rates and the measurement of the credit risk associated with the issuer.

An analogous approach is applied for the fair value measurement of medium-/long-term fixed-rate securities and structured securities that are hedged 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 properties in the same geographical area and under the same conditions for leases 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 accumulated 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, Financial assets 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 is normally equal 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 or revenues that are directly attributable to the issue, acquisition or disposal of a financial instrument and that cannot be charged to the customer. These fees and commissions, which must be directly attributable to individual financial assets or liabilities, affect the original effective rate of return and cause the effective interest rate associated with the transaction to vary from the contractual interest rate. Transaction costs do not include costs and revenues that apply, indiscriminately, to more than one transaction and do not include components relating to events that could occur over the life of the instruments that are not certain at the time the instrument is initially prepared, such as: commissions for retrocession, failure to use a credit line, early repayment.

Moreover, 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 irrespectively of the subsequent financing of the transaction (such as, for example, arrangement fees and commissions).

With specific reference to loans, costs attributable to the financial instrument include commission paid to distribution channels, fees paid for advice/assistance regarding the organization and/or participation in syndicated loans, 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, fees and commissions for participation in syndicated transactions and brokerage fees linked to commissions paid by intermediation companies.

With regard 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.

For securities issued, amortized cost is calculated taking into account fees and commissions for placing debenture loans paid to third parties, legal expenses, fees paid to stock exchanges and fees paid to auditors for work done on each individual issue, while the amortized cost excludes fees and commissions paid to rating agencies, legal and advice/audit expenses for the annual update of prospectuses, expenses for the use of indexes and fees and commissions that arise during the life of the debenture loan issued.

Following initial measurement, they are measured at amortized cost, reporting effective interest rates that are higher or lower than the nominal rates. 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 embedded in the host 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.

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. 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.

Then, the collective impairment value of sensitive loans is 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 Basel 2 prudential supervision perspective. Moreover, the loss given default rate is further corrected by a sector coefficient, determined 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 are tested for impairment if there is evidence that the book value of the asset can no longer be recovered.

The recoverable value is calculated for each single asset, except in case this asset generates cash flows that are not widely independent of those generated by other assets or groups of assets.

If the book value of an asset is higher than its recoverable value, that asset is impaired and consequently written down to 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 organizational and management structure.
- The Group's business segments are:
- Retail/Private Banking (including the Financial Advisors channel and the Digital Business Unit);
- Corporate Banking (Large-corporate/Mid-corporate);
- Other/sundry 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 No. 13.3 – Assets.

A.3 DISCLOSURE OF TRANSFERS OF FINANCIAL ASSETS BETWEEN PORTFOLIOS

A.3.1 Transfers between portfolios

In 2017, 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) on 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 (for example determining the interest rate curve based on interest rates that are directly observable on the market at a given reference date). Level 2 includes:
  - Stocks and bonds that are quoted on markets considered inactive or that are not quoted on an active market, but whose fair value is determined using a universally acknowledged measurement model based on observable or indirectly observable inputs;
  - Financial instruments whose fair value is determined with measurement models using observable market inputs.
- **Level 3:** Financial instruments whose fair value is determined using, to a significant extent, inputs that do not meet the set observability requirements.
  The fair value of some complex instruments that are not traded 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.

Based on the above, the value of a portfolio of OTC derivatives that are in force with a market counterparty, is equal to the value of the same risk-free portfolio less the CVA plus the DVA.

As provided for by IFRS13, in certain conditions, risk mitigation tools may be used, such as ISDA master agreements and Credit Support Annexes (CSA).

By signing ISDA Master Agreements, which are framework agreements that amount to the reference international standard on OTC derivatives, the Bank can calculate the CVA and DVA by netting set or by counterparty, after assessing the netting effect potentially resulting from such Agreements, rather than calculating it by single derivative.

Much in the same way, risks can be mitigated by finalizing Credit Support Annexes (CSA), which are attached to the ISDA Mater Agreement and provide for the deposit with the creditor of an amount equal to the mark-to-market value of the exposure as collateral.

Such collateral allows the present exposure and the subsequent risk to be reduced and provides, on a regular basis, for the exposure to be recalculated in order to verify that the deposited amount is consistent.

In accordance with IFRS 13, the Crédit Agricole Italia Banking Group has adopted a model implemented by the Parent Company Crédit Agricole SA; in addition to the effects of any changes in the counterparty's creditworthiness (Credit Valuation Adjustment – CVA), this model also expresses any changes in the Group's creditworthiness (Debit Value Adjustment – DVA).

In accordance with the model, the calculation of the CVA depends on the exposure, on the probability of default (PD) and on the Loss Given Default (LGD) of the counterparties.

This model provides for the use of a forward-looking PD as a function of the type of counterparty, to which a CDS spread or a CDS proxy is assigned. For this purpose, external counterparties are classified into three categories:

- the first category includes the counterparties for which CDS input parameters are directly observable on 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 2017, the CVA of the Crédit Agricole Italia Banking Group, calculated in accordance with the method described above, came to Euro 8.2 million (of which Euro 7,200.9 thousand for Crédit Agricole Cariparma; Euro 556.4 thousand for Crédit Agricole FriulAdria; Euro 374.9 thousand for Crédit Agricole Carispezia; Euro 4.1 thousand for Cassa di Risparmio di San Miniato; Euro 72.1 thousand for Cassa di Risparmio di Cesena and Euro 0.4 thousand for Cassa di Risparmio di Rimini).

Similarly, as at 31 December 2017, the DVA of the Crédit Agricole Italia Banking Group came to Euro 0.6 million (of which Euro 408.2 thousand for Crédit Agricole Cariparma; Euro 110.8 thousand for Crédit Agricole FriulAdria; Euro 66.7 thousand for Crédit Agricole Carispezia; Euro 0.3 thousand for Cassa di Risparmio di San Miniato; Euro 5.0 thousand for Cassa di Risparmio di Cesena and Euro 0.1 thousand for Cassa di Risparmio di Rimini).

The difference between the CVA and DVA amounts as calculated, equal to Euro 7.6 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 market inputs.

Specifically, fixed-rate bonds relating to financial assets or liabilities are measured using the discounted cash flow method pursuant to the security contractual scheme; floating-rate bonds are measured by discounting back future cash flows estimated on the basis of the forward rates with the application of index-linking parameter.

Derivative contracts are measured using specific calculation algorithms according to the type of the different categories of transactions.

Level 3: this level includes all financial instruments for which there is no active market and whose measurement is not based on observable market inputs or using the measurement communicated by qualified market players (subject to appropriate internal verification).

A.4.2 Processes and sensitivity of measurement

The Finance Department 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 inputs 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 inputs 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 Department assesses whether transfers between fair value levels have occurred and reviews the fair value categorization at each reporting date.

The Finance Department moves financial instruments from Level 1 to Level 2 only in case of financial instruments that are quoted in a regulated but not active market and that can be measured using the Group’s internal standard pricing models. The Finance Department makes transfers to Level 3 only for financial instruments that are no longer listed in a regulated market and that cannot be measured using standard internal pricing models of the Group.

A.4.4 Other information

The cases provided for by IFRS 13 at paragraphs 51, 93 item (i) and 96 did not apply to the Group.

QUANTITATIVE DISCLOSURES

A.4.5 FAIR VALUE HIERARCHY

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

Financial assets/liabilities measured at fair value	31.12.2017			31.12.2016		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	8	72,991	1,253	3	90,999	808
2. Financial assets designated at fair value	26	73	-	-	-	-
3. Financial assets available for sale	5,044,755	222,854	75,045	5,197,212	-	226,006
4. Hedging derivatives	-	570,313	54	-	749,417	73
5. Property, plant and equipment	-	-	2,865	-	-	-
6. Intangible Assets	-	-	-	-	-	-
Total	**5,044,789**	**866,231**	**80,653**	**5,197,215**	**840,416**	**226,887**
1. Financial liabilities held for trading	-	75,820	-	-	103,135	-
2. Net Financial liabilities designated at fair value	-	67,201	-	-	-	-
3. Hedging derivatives	-	279,748	247,927	-	314,185	434,342
Total	**-**	**422,769**	**247,927**	**-**	**417,320**	**434,342**

Key
L1= Level 1
L2= Level 2
L3= Level 3

The impact resulting from applying CVA and DVA on the fair value measurement of derivatives held for trading came to Euro 7,617.5 thousand.

In the 2017 Financial Statements of the Crédit Agricole Italia Banking Group, the shareholding in the Bank of Italy was reclassified from Level 3 to Level 2, based on the value expressed by the transactions made by several market players on a considerable part of the share capital of the Bank of Italy. The sales were made at nominal value, which is equal to the book value (Euro 25,000 per share). Since in the reporting period, inputs observable on the market became available (such as prices set within comparable transactions on the same instrument by and between unrelated, knowledgeable and informed parties), the shareholding was reclassified from Level 3 to Level 2.

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	**808**	**-**	**226,006**	**73**	**-**	**-**
2. Increases	**576**	**-**	**109,318**	**-**	**2,865**	**-**
2.1 Purchases	94	-	28,466	-	-	-
2.2 Profits recognized in:	-	-	-	-	-	-
2.2.1 Income Statement	391	-	2,519	-	-	-
- of which: Capital gains	391	-	2,519	-	-	-
2.2.2 Equity	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	91	-	78,333	-	2,865	-
3. Decreases	**131**	**-**	**273,279**	**19**	**-**	**-**
3.1 Sales	124	-	33,102	-	-	-
3.2 Redemptions	-	-	2,083	-	-	-
3.3 Losses recognized in:	-	-	-	-	-	-
3.3.1 Income Statement	4	-	38,311	19	-	-
- of which Capital losses	4	-	1,484	19	-	-
3.3.2 Equity	X	X	1,618	-	-	-
3.4 Transfers to other levels	-	-	185,125	-	-	-
3.5 Other decreases	3	-	13,040	-	-	-
4. Closing Balance	**1,253**	**-**	**75,045**	**54**	**2,865**	**-**

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	*Net Financial liabilities designated at fair value*	Hedging derivatives
1. Opening balance	**-**	**-**	**434,342**
2. Increases	**-**	**-**	**62,760**
2.1 Issues	-	-	60,564
2.2 Losses recognized in:			2,196
2.2.1 Income Statement	-	-	2,196
- of which: Capital losses	-	-	2,196
2.2.2 Equity	X	X	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**-**	**-**	**249,175**
3.1 Redemptions	-	-	216,715
3.2 Repurchases	-	-	25,543
3.3 Profits recognized in:			6,917
3.3.1 Income Statement	-	-	6,917
- of which:Capital gains	-	-	6,917
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing Balance	**-**	**-**	**247,927**

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	31.12.2017				31.12.2016			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Investments held to maturity	2,234,277	2,243,331	-	19,982	-	-	-	-
2. Loans to Banks	7,237,907	-	7,234,919	3,066	4,383,986	-	4,383,986	-
3. Loans to Customers	44,251,456	-	-	46,849,564	38,209,279	-	-	40,534,877
4. Investment property	79,580	-	-	108,955	27,283	-	-	49,086
5. Non-current assets held for sale and discontinued operations	98	-	-	-	-	-	-	-
Total	**53,803,318**	**2,243,331**	**7,234,919**	**46,981,567**	**42,620,548**	**-**	**4,383,986**	**40,583,963**
1. Due to banks	7,059,113	-	7,059,113	-	4,936,319	-	4,936,319	-
2. Due to Customers	40,575,365	-	34,697,691	5,877,674	31,136,638	-	31,102,493	34,145
3. Debt securities issued	9,715,753	-	9,099,929	792,789	8,756,041	-	8,287,248	445,420
4. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**57,350,231**	**-**	**50,856,733**	**6,670,463**	**44,828,998**	**-**	**44,326,060**	**479,565**

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 point out that this case marginally applies to the Group Consolidated Financial Statements.

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 CASH AND CASH EQUIVALENTS: BREAKDOWN

	31.12.2017	31.12.2016
a) Cash	286,905	223,966
b) Demand deposits with Central Banks	1,703,460	-
Total	**1,990,365**	**223,966**

Sub-item "b) Demand deposits with Central Banks", amounting to Euro 1,703,460 thousand reports the amount exceeding the Reserve requirement as at 31 December 2017. The portion allocated to comply with the Reserve requirement has been recognized in the "Loans to Banks" item.

Section 2 – Financial assets held for trading – Item 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY TYPE

Items/Values	31.12.2017			31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance-sheet assets						
1. Debt securities	8	-	2	3	-	2
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	8	-	2	3	-	2
2. Equity securities	-	32	1	-	-	2
3. Units of collective investment undertakings	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements for lending purposes	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**8**	**32**	**3**	**3**	**-**	**4**
B. Derivatives						
1. Financial Derivatives	-	72,959	1,250	-	90,999	804
1.1 held for trading	-	68,747	1,250	-	90,999	804
1.2 associated with fair value option	-	4,212	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit Derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**-**	**72,959**	**1,250**	**-**	**90,999**	**804**
Total (A+B)	**8**	**72,991**	**1,253**	**3**	**90,999**	**808**

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

Items/Values	31.12.2017	31.12.2016
A. On-balance-sheet assets		
1. Debt securities	**10**	**5**
a) Governments and Central Banks	7	5
b) Other public entities	-	-
c) Banks	1	-
c) Other issuers	2	-
2. Equity securities	**33**	**2**
a) Banks	32	2
c) Other issuers:	1	-
- Insurance undertakings	-	-
- Financial companies	-	-
- Non-financial corporations	1	-
- 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	**43**	**7**
B. Derivatives		
a) Banks		
- fair value	12,290	8,522
b) Customers		
- fair value	61,919	83,281
Total B	**74,209**	**91,803**
Total (A+B)	**74,252**	**91,810**

Section 3 – Financial assets designated at fair value – Item 30

3.1 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE: BREAKDOWN BY TYPE

Items/Values	31.12.2017			31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	1	73	-	-	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	1	73	-	-	-	-
2. Equity securities	-	-	-	-	-	-
3. Units of collective investment undertakings	25	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Structured loans	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**26**	**73**	**-**	**-**	**-**	**-**
Cost	**24**	**60**	**-**	**-**	**-**	**-**

3.2 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE: BREAKDOWN BY DEBTOR/ISSUER

Items/Values	Total 31.12.2017	Total 31.12.2016
1. Debt securities	74	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	73	-
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	25	-
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
c) Other parties	-	-
Total	99	-

Section 4 – Financial assets available for sale – Item 40

4.1 FINANCIAL ASSETS AVAILABLE FOR SALE: BREAKDOWN BY TYPE

Items/Values	31.12.2017			31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	5,030,427	188	8,871	5,183,912	-	1
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	5,030,427	188	8,871	5,183,912	-	1
2. Equity securities	12,921	208,338	59,449	13,300	-	225,293
2.1 Designated at fair value	12,921	208,338	49,236	13,300	-	213,538
2.2 Measured at cost	-	-	10,213	-	-	11,755
3. Units of collective investment undertakings	1,407	14,328	8,161	-	-	712
4. Loans	-	-	-	-	-	-
Total	5,044,755	222,854	76,481	5,197,212	-	226,006

The equity securities held and designated as level 1 fair value consist of Unipol SAI stocks that were assigned to Crédit Agricole 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:

- Bancassurance Popolari S.p.A. (book value Euro 2,314 thousand);
- SILCA Snc (book value Euro 2,128 thousand);
- Gefil S.p.A. (book value Euro 2,049 thousand);
- Elettrostudio Energia S.p.A. (book value Euro 500 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.

The decrease for the year in financial assets available for sale was due to the changes in the portfolio of Italian government securities, which was affected by the evolution in market prices and by the reduction in amounts.

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

Items/Values	31.12.2017	31.12.2016
1. Debt securities	**5,039,486**	**5,183,913**
a) Governments and Central Banks	5,028,026	5,183,913
b) Other public entities	51	-
c) Banks	2,677	-
c) Other issuers	8,732	-
2. Equity securities	**280,708**	**238,593**
a) Banks	204,320	163,288
c) Other issuers:	76,388	75,305
- Insurance undertakings	15,064	13,300
- Financial companies	16,760	19,765
- non-financial corporations	44,381	42,240
- Other	183	-
3. Units of collective investment undertakings	**23,896**	**712**
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
c) Other parties	-	-
Total	**5,344,090**	**5,423,218**

4.3 FINANCIAL ASSETS AVAILABLE FOR SALE IN MICRO-HEDGED PORTFOLIOS

	31.12.2017	31.12.2016
With specific fair value hedges:	**3,548,699**	**5,143,572**
1. Interest rate risk	3,080,884	5,143,572
2. Price risk	467,815	-
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	**3,548,699**	**5,143,572**

Section 5 – Investments held to maturity – Item 50

5.1 INVESTMENTS HELD TO MATURITY: BREAKDOWN BY TYPE

Type of transactions/Values	31.12.2017				31.12.2016			
	Book value	*Fair value*			Book value	*Fair value*		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**2,234,277**	**2,243,331**	**-**	**19,982**	-	-	-	-
1.1 Structured Securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	2,234,277	2,243,331	-	19,982	-	-	-	-
2. Loans	-	-	-	-	-	-	-	-
Total	**2,234,277**	**2,243,331**	**-**	**19,982**	-	-	-	-

Level 1 investments held to maturity include Italian Government securities (BTP) maturing in 2021 and financed “back-to-back” at fixed-rate, in accordance with the Group’s intention to hold this investment to maturity

5.2 INVESTMENTS HELD TO MATURITY: DEBTORS/ISSUERS

Type of transactions/Values	31.12.2017	31.12.2016
1. Debt securities	**2,234,277**	-
a) Governments and Central Banks	2,214,295	-
b) Other public entities	-	-
c) Banks	-	-
c) Other issuers	19,982	-
2. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
c) Other parties	-	-
Total	**2,234,277**	-
Total fair value	**2,248,956**	-

Section 6 – Loans to Banks – Item 60

6.1 LOANS TO BANKS: BREAKDOWN BY TYPE

Type of transactions/Values	31.12.2017				31.12.2016			
	VB	FV			VB	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Claims on Central Banks	5,385,945	-	5,385,704	-	327,894	-	327,894	-
1. Fixed-term deposits	-	X	X	X	-	X	X	X
2. Reserve requirement	5,382,265	X	X	X	327,894	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	3,680	X	X	X	-	X	X	X
B. Loans to Banks	1,851,962	-	1,851,962	-	4,056,092	-	4,056,092	-
1. Loans								
1.1 Current accounts and demand deposits	285,698	X	X	X	176,261	-	-	-
1.2 Fixed-term deposits	1,007,840	X	X	X	3,267,475	-	-	-
1.3 Other loans:	555,435	-	-	-	612,356	-	-	-
- Repurchase agreements for lending purposes	-	X	X	X	-	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	555,435	X	X	X	612,356	X	X	X
2. Debt securities	2,989	-	-	-	-	-	-	-
2.1 Structured Securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	2,989	X	X	X	-	X	X	X
Total	7,237,907	-	7,237,666	-	4,383,986	-	4,383,986	-

Key:
FV = fair value
BV= book value

The “Claims on central banks” item reports the Reserve requirement amount at the Bank of Italy: as at 31 December 2017, the balance reflected the commitment undertaken by the Bank to maintain the Reserve requirement amount. The amount exceeding such minimum Reserve requirement has been recognized in the “Cash” item of assets among demand deposits with Central Banks.

The decrease in the “Fixed-term deposits” item was mainly due to a lower number of interbank business transactions with the Parent Company Crédit Agricole S.A.

As at 31 December 2017, there were no non-performing assets Loans to Banks.

6.2 LOANS TO BANKS WITH SPECIFIC HEDGES

As at 31 December 2017, there was no Loans to Banks with specific hedges.

6.3 FINANCE LEASES

As at 31 December 2017, there was no Loans to Banks resulting from finance lease transactions.

Section 7 – Loans to customers – Item 70

7.1 LOANS TO CUSTOMERS: BREAKDOWN BY TYPE

Type of Transaction/ Values	31.12.2017						31.12.2016					
	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	41,299,397	1,865	2,783,967	-	-	46,684,609	35,143,695	-	2,904,907	-	-	40,374,200
1. Current accounts	2,813,239	-	658,948	X	X	X	2,222,197	-	637,232	X	X	X
2. Repurchase agreements for lending purposes	342,913	-	-	X	X	X	-	-	-	X	X	X
3. Mortgage loans	27,116,089	-	1,681,842	X	X	X	22,729,762	-	1,688,970	X	X	X
4. Credit cards, personal loans and loans repaid with automatic deductions from salaries	254,108	-	9,534	X	X	X	273,820	-	9,893	X	X	X
5. Finance leases	1,644,366	-	160,162	X	X	X	1,600,162	-	204,122	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7 Other loans	9,128,682	1,865	273,481	X	X	X	8,317,754	-	364,690	X	X	X
Debt securities	166,227	-	-	-	-	164,955	160,677	-	-	-	-	160,677
8. Structured Securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	166,227	-	-	X	X	X	160,677	-	-	X	X	X
Total	41,465,624	1,865	2,783,967	-	-	46,849,564	35,304,372	-	2,904,907	-	-	40,534,877

7.2 LOANS TO CUSTOMERS: BREAKDOWN BY BORROWER/ISSUER

Type of transactions/Values	31.12.2017			31.12.2016		
	Performing	Non-performing		Performing	Non-performing	
		Purchased	Other		Purchased	Other
1. Debt securities:	**166,227**	**-**	**-**	**160,677**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	166,227	-	-	160,677	-	-
- Non-financial corporations	-	-	-	-	-	-
- Financial companies	10,642	-	-	-	-	-
- Insurance undertakings	155,475	-	-	160,567	-	-
- other	110	-	-	110	-	-
2. Loans to:	**41,299,397**	**1,865**	**2,783,967**	**35,143,695**	**-**	**2,904,907**
a) Governments	64,283	-	4	33,250	-	-
b) Other public entities	262,819	-	-	238,379	-	1
c) Other parties	40,972,295	1,865	2,783,963	34,872,066	-	2,904,906
- Non-financial corporations	18,281,358	-	2,230,686	15,545,667	-	2,384,497
- Financial companies	4,394,438	-	51,070	3,685,954	-	38,294
- Insurance undertakings	84,649	-	23	71,451	-	-
- other	18,211,850	1,865	502,184	15,568,994	-	482,115
Total	**41,465,624**	**1,865**	**2,783,967**	**35,304,372**	**-**	**2,904,907**

7.3 LOANS TO CUSTOMERS: ASSETS IN MICRO-HEDGE PORTFOLIOS

Type of transactions/Values	31.12.2017	31.12.2016
1. Loans with specific fair value hedges	208,476	212,139
a) interest rate risk	208,476	212,139
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	**208,476**	**212,139**

7.4 FINANCE LEASES

Time ranges	Total 31.12.2017					
	NON-PERFORMING EXPOSURES (1)	Minimum payments			Gross investment (3)	
		Principal portion (2)		Interest portion		
			of which secured residual value			of which unsecured residual value
- on demand	127,882	26,264		3,226	29,490	-
- up to 3 months	1,415	59,462		9,285	68,747	557
Beyond 3 months up to 1 year	13,862	223,998		34,511	258,509	6,432
- beyond 1 year up to 5 years	15,419	793,610		118,133	911,743	51,814
- beyond 5 years	1,584	549,111		68,475	617,586	136,208
- indefinite maturity	-	-		-	-	
Total	**160,162**	**1,652,445**	**-**	**233,630**	**1,886,075**	**195,011**
Value adjustments						
- on a collective basis		(8,078)				
Net Total	**160,162**	**1,644,367**	**-**	**233,630**	**1,886,075**	**195,011**

Column (1) reports the book value of non-performing exposures, allocated in their respective time ranges based on collection forecasts made for financial reporting purposes
Column (2) reports the present value of minimum payments due regarding performing exposures.
Column (3) reports the value of the gross investment exclusively in performing exposures.

In accordance with Crédit Agricole Leasing Italia Srl lease contracts, at the end of set contract duration, the lessee, granted that the same has fulfilled all obligations undertaken, 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 belong to 4 categories: motor vehicles (cars, commercial vehicles and industrial vehicles), air rail naval (aircraft, pleasure boats, railway cars), equipment and property (commercial and industrial buildings both completed and to be built) and renewable energy equipment (photovoltaic plants, wind turbines, hydroelectric plants, etc.).

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 contracts, 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 190.2 million.

Section 8 – Hedging derivatives – Item 80

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

	Fair Value as at 31.12.2017			Notional value as at 31.12.2017	*Fair Value* as at 31.12.2016			Notional value as at 31.12.2016
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial Derivatives	-	570,313	54	14,161,919	-	749,417	73	15,888,064
1) Fair value	-	570,313	54	14,161,919	-	749,417	73	15,888,064
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	570,313	54	14,161,919	-	749,417	73	15,888,064

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

Transactions/Type of hedge	*Fair value*						Cash flows		Investments in foreign operations
	Micro-hedging					Macro-hedging	Micro-hedging	Macro-hedging	
	Interest Rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale	7,696	-	-	1,716	-	X	-	X	X
2. Loans and Receivables	55,193	-	-	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	62,889	-	-	1,716	-	-	-	-	-
1. Financial liabilities	505,762	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	505,762	-	-	-	-	-	-	-	
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 60,440 thousand for hedging own bonds issued and Euro 445,322 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 BREAKDOWN BY HEDGED PORTFOLIO

Adjustments of hedged assets/Values	31.12.2017	31.12.2016
1. Positive adjustment	**26,158**	**8,931**
1.1 of specific portfolios:	26,158	8,931
a) loans	26,158	8,931
b) financial assets available for sale	-	-
1.2 total	-	-
2. Negative adjustment	**-73**	**-121**
2.1 of specific portfolios:	-73	-121
a) loans and receivables	-73	-121
b) financial assets available for sale	-	-
2.2 total	-	-
Total	**26,085**	**8,810**

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

Type of transaction/Values	31.12.2017	31.12.2016
Loans and Receivables	1,775,436	963,024
Assets available for sale	-	-
Portfolio	-	-
Total	**1,775,436**	**963,024**

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 arrangements						
not present						
B. Companies subject to significant influence						
1. Fiere di Parma S.p.A.	Parma, Italy		associate	Cariparma	35.85	35.85
2. Cassa di Risparmio di Volterra S.p.A.	Volterra, Italy		associate	CR S. Miniato	20.00	20.00
3. Vegagest SGR S.p.A.	Milan, Italy		associate	CR S. Miniato	23.51	23.51

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

Name	Book value	Fair value	Dividends received
A. Joint arrangements			
not present			
B. Investees subject to significant influence			
1. Fiere di Parma S.p.A.	22,652	-	-
2. Cassa di Risparmio di Volterra S.p.A.	10,216	-	-
3. Vegagest SGR S.p.A.	1,000	-	-
Total	**33,868**	-	-

The fair value of equity investments in investees subject to significant influence has not been reported since no one of these companies is listed.

The investees listed in the table above did not distribute dividends in 2017.

10.3 SIGNIFICANT EQUITY INVESTMENTS: FINANCIAL INFORMATION

Name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Adjustment Adjustments and writebacks of Property, plant and equipment and intangible assets and intangible assets	Income (Loss) before taxes from continuing operations	Income (Loss) after taxes from continuing operations	Income (Loss) after taxes from discontinuing operations	Net income (Loss) for the year (1)	Other income components, net of taxes (2)	Comprehensive income (3) = (1) + (2)
A. Joint arrangements														
not present														
B. Investees subject to significant influence														
1. Fiere di Parma S.p.A.	11,119	-	80,851	-	50,027	35,967	x	x	6,035	5,962	-	5,962	-	5,962
2. Cassa di Risparmio di Volterra S.p.A.	x	1,966,149	144,581	1,905,290	56,504	113,617	x	x	4,386	3,133	-	3,133	3,292	6,425
3. Vegagest SGR S.p.A.	x	8,157	845	425	2,459	2,057	x	x	(1,120)	(1,256)	-	(1,256)	86	(1,170)

The figures given above and regarding Cassa di Risparmio di Volterra S.p.A. and Vegagest SGR S.p.A. Have been taken from their income statements and balance sheets as at 31 December 2017, whereas those regarding Fiere di Parma S.p.A. Have been taken from the latest approved annual report and financial statements as at 31 December 2016.

10.4 NON-SIGNIFICANT EQUITY INVESTMENTS: FINANCIAL INFORMATION

The Financial Statements as at 31 December 2017 do not report any non-significant equity investments.

10.5 EQUITY INVESTMENTS: CHANGES FOR THE YEAR

	31.12.2017	31.12.2016
A. Opening balance	-	2,583
B. Increases	33,868	-
B.1 Purchases	33,868	-
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	-	-2,583
C.1 Sales	-	-534
C.2 Value adjustments	-	-
C.3 Other changes	-	-2,049
D. Closing balance	33,868	-
E. Total writebacks	-	-
F. Total adjustments	-	-

The increase of Euro 33 million includes Euro 11 million regarding the investees of the Fellini Banks, namely Cassa di Risparmio di Volterra S.p.A. and Vegagest SGR S.p.A.

Moreover, in 2017, Crédit Agricole Cariparma increased its equity investment in Fiere di Parma to 35.85%, which entailed Euro 22.7 million reclassification from financial asset available for sale.

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

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

Investees are considered jointly controlled (joint arrangements) when there are contract arrangements in place under which control is shared by and between the Group and one or more other investors, that is to say, when decisions on the investee’s relevant activities require unanimous approval by all investors sharing control.

Investees are considered subject to significant influence (associates) when the Group holds at least 20% of the voting rights (including “potential” voting rights) or, even though holding a lower percentage of the voting rights, it has the power to participate in determining the investee’s financial and management policies based on specific legal ties, such as being a party to shareholder agreements providing for vote pooling. Significant influence is not ascribed to interests 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.

10.7 COMMITMENTS REFERRING TO EQUITY INVESTMENTS IN JOINT-ARRANGEMENTS

As at 31 December 2017, there were no joint 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 2017, there were no commitments referring to entities subject to significant influence

10.9 DISCLOSURE OF SIGNIFICANT RESTRICTIONS

As at 31 December 2017, 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: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	31.12.2017	31.12.2016
1. Owned	**753,869**	**491,857**
a) land	200,710	127,118
b) buildings	455,192	286,021
c) furniture	21,216	18,191
d) electronic equipment	7,731	7,756
e) other	69,020	52,771
2. Acquired under finance leases	**2,044**	**-**
a) land	172	-
b) buildings	1,872	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total	**755,913**	**491,857**

12.2 INVESTMENT PROPERTY: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	31.12.2017				31.12.2016			
	Book value	*Fair value*			Book value	*Fair value*		
		L1	L2	L3		L1	L2	L3
1. Owned	**79,580**	**-**	**-**	**108,955**	**27,283**	**-**	**-**	**49,086**
a) land	32,251	-	-	41,963	7,139	-	-	16,104
b) buildings	47,329	-	-	66,992	20,144	-	-	32,982
2. Acquired under finance leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**79,580**	**-**	**-**	**108,955**	**27,283**	**-**	**-**	**49,086**

12.4 INVESTMENT PROPERTY: BREAKDOWN OF ASSETS MEASURED AT FAIR VALUE

Assets/Values	31.12.2017			31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Owned	-	-	2,865	-	-	-
a) land	-	-	663	-	-	-
b) buildings	-	-	2,202	-	-	-
2. Acquired under finance leases	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**2,865**	**-**	**-**	**-**

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

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Opening gross balance	**118,598**	**517,940**	**119,904**	**75,331**	**245,214**	**1,076,987**
A.1 Total net writedowns	-	265,559	101,713	67,576	192,443	627,291
A.2 Opening net balance	118,598	252,381	18,191	7,755	52,771	449,696
B. Increases:	**83,767**	**219,475**	**7,038**	**4,637**	**26,860**	**341,777**
B.1 Purchases	83,682	182,886	7,036	4,637	26,860	305,101
B.2 Capitalized improvement expenses	85	36,589	-	-	-	36,674
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	-	-	2	-	-	2
C. Decreases:	**1,483**	**14,792**	**4,013**	**4,661**	**10,611**	**35,560**
C.1 Sales	390	505	6	9	13	923
C.2 Depreciation	-	12,715	2,404	2,481	8,783	26,383
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:	1,093	1,572	-	-	-	2,665
a) Investment property	1,093	1,572	-	-	-	2,665
b) Discontinuing operations	-	-	-	-	-	-
C.7 Other changes	-	-	1,603	2,171	1,815	5,590
D. Closing net balance	**200,882**	**457,064**	**21,216**	**7,731**	**69,020**	**755,913**
D.1 Total net impairment writedowns	-	167,919	67,707	48,480	39,730	323,836
D.2 Closing gross balance	200,882	624,983	88,923	56,211	108,750	1,079,749
E. Measurement at cost	-	-	-	-	-	-

12.6 INVESTMENT PROPERTY: CHANGES FOR THE YEAR

	31.12.2017	
	Land	Buildings
A. Opening balance	**7,139**	**20,144**
B. Increases	**28,037**	**57,791**
B.1 Purchases	26,246	53,830
B.2 Capitalized improvement expenses	144	180
B.3 Fair value gains	-	-
B.4 Writebacks	-	-
B.5 Positive exchange rate differences	-	-
B.6 Transfers from operating assets	1,093	1,572
B.7 Other changes	554	2,209
C. Decreases	**2,260**	**28,406**
C.1 Sales	522	1,133
C.2 Depreciation	-	951
C.3 Fair Value losses	-	-
C.4 impairment writedowns	1,738	1,741
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	-	24,687
D. Closing balance	**32,916**	**49,529**
E. Designated at fair value	**42,626**	**69,194**

Section 13 – Intangible assets – Item 130

13.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

Assets/Values	31.12.2017		31.12.2016	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	**X**	**1,575,536**	**X**	**1,575,536**
A.1.1 Parent company shareholders/ Group	X	1,575,536	X	1,575,536
A.1.2 Minority interests	X	-	X	-
A.2 Other intangible assets	**383,728**	**-**	**312,645**	**-**
A.2.1 Assets measured at cost:	383,728	-	312,645	-
a) Internally generated intangible assets	8,404	-	8,017	-
b) Other assets	375,324	-	304,628	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**383,728**	**1,575,536**	**312,645**	**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 (for some types of software products only useful life has been estimated as being 10 years).

Internally generated intangible assets were recognized for Euro 387 thousand. These assets resulted from staff expenses borne for in-house development of software and are amortized over a 5-year period.

The intangible assets representing business with Customers as emerged the business combinations made by the Group in 2007 and in 2011, as well as the recent ones at the end of 2017 (Fellini Project) 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: internally generated		Other intangible assets: other		Total
		with finite life	with indefinite life	with finite life	with indefinite life	
A. Opening balance	**1,575,536**	**14,673**	**-**	**790,134**	**-**	**2,380,343**
A.1 Total net impairment writedowns	-	6,656	-	485,506	-	492,162
A.2 Opening net balance	1,575,536	8,017	-	304,628	-	1,888,181
B. Increases	**-**	**3,118**	**-**	**139,907**	**-**	**143,025**
B.1 Purchases	-	-	-	82,999	-	82,999
B.2 Increases in internal intangible assets	X	3,118	-	56,908	-	60,026
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	**-**	**2,731**	**-**	**69,211**	**-**	**71,942**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	2,731	-	69,203	-	71,934
- Amortization	-	2,731	-	69,203		71,934
- Write-downs:	X	-	-	-	-	-
+ 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	-	-	-	8	-	8
D. Closing net balance	**1,575,536**	**8,404**	**-**	**375,324**	**-**	**1,959,264**
D.1 Total net value adjustments	-	9,387	-	552,039		561,426
E. Closing gross balance	**1,575,536**	**17,791**	**-**	**927,363**	**-**	**2,520,690**
F. Measurement at cost	**-**	**-**	**-**	**3,741**	**-**	**3,741**

13.3 OTHER INFORMATION

Impairment test on intangible assets with finite useful life

At the end of 2017 it was verified that the value of each of the elements making up the intangible assets that which 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 2017, the cost of credit (the 2019-2017 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 2017 amounting to

- Crédit Agricole FriulAdria: Euro 25,505 thousand;
- 180 Crédit Agricole Cariparma branches purchased in 2007: Euro 48,215 thousand;
- 29 Crédit Agricole FriulAdria branches purchased in 2007: Euro 4,631 thousand;
- For a total of Euro 78,351 thousand.

At the end of 2017 it was verified that the value of each of the elements making up the intangible assets that which 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 the 2011-2017 period and for and 2018 (budget), 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 2017 amounting to:

- Crédit Agricole Carispezia: Euro 16,409 thousand;
- 81 Crédit Agricole Cariparma branches purchased in 2011: Euro 47,249 thousand;
- 15 Crédit Agricole FriulAdria branches purchased in 2011: Euro 9,399 thousand;
- For a total of Euro 73,057 thousand.

As regards the business combination finalized on 21 December 2017, the Group has not tested the intangible assets emerged within the Fellini Project and amounting to Euro 83 million for impairment, considering that it was hardly possible that the value of these assets could have decreased as at 31 December 2017, i.e. in ten days.

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 2017 expected performance, a model has been used, which consists of two stages:

- For the first stage (2018-2022), the following forecasts have been used: The 2018 Budget, for the years 2019-2020, the forecasts made within the Medium- and Long-Term Plan as reviewed in preparing the 2018 Budget, for 2021-2022 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 9.07% (vs. 9.23% used for the impairment test for the 2016 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:

	2017	2016
Remuneration of capital (ke)	9.07%	9.23%
- of which risk-free rate	3.60%	3.85%
- of which Beta	1.2	1.2
- of which risk premium	4.56%	4.49%

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, and offset by far 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 equal to 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 oscillation range) 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 0.43% (rate of 10Y Bunds in December 2017) and 3.60% (average yield in the last 10 years of the Italian Government bond 10Y BTP and 5.26% threshold rate exceeding which impairment would occur);
- Beta: variation range between 1.28 (average Beta of a sample of medium-sized listed Italian Banks) and 1.20; The sensitivity analysis had a favourable outcome;
- Risk premium: variation range between 3.10% (1900-2016 geometric mean, source "Equity Risk Premiums (ERP): Determinants, Estimation and Implications – The 2017 Edition", Aswath Damodaran, March 2017) and the maximum rate so that the test result is positive (5.94%).

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 (11.4% for the Retail/Private Banking CGU and 10.7% 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 Item 80 of Liabilities

14.1 DEFERRED TAX ASSETS: BREAKDOWN

	31.12.2017	31.12.2016
A. Gross deferred tax assets	**1,140,417**	**768,432**
A1. Loans and receivables (including asset-backed securities)	407,017	321,843
A2. Other financial instruments	1,691	4,571
A3. Goodwill	341,953	368,400
A4. Long-term liabilities	12	-
A5. Property, plant and equipment	8,313	-
A6. Provisions for risks and charges	66,074	53,556
A7. Entertainment expenses	-	-
A8. Staff expenses	25,708	-
A9. Tax losses	239,810	-
A10. Unused tax receivables to be deducted	-	-
A11. Other	49,839	20,062
B. Offset against deferred tax liabilities	**-**	**-**
C. Net deferred tax assets:	**1,140,417**	**768,432**

In order to verify that the conditions to recognize deferred tax assets were met, with specific regard to the deferred tax assets resulting from tax losses made by the Fellini Banks, the income capacity of the single Savings Banks and of the Group was assessed, the latter in view of the expected favourable outcome of the tax ruling petition submitted pursuant to Article 172 of the Italian Consolidated Act on Income Taxes (TUIR) and based on the resolutions passed on 8 February 2018 by the Boards of Directors of the Parent Company and of the three Savings Banks for their merger by absorption into the Parent Company. Based on the aforementioned assessment, it was ascertained that the conditions to recognize deferred tax assets “non-convertible into tax credits” were met.

14.2 DEFERRED TAX LIABILITIES: BREAKDOWN

	31.12.2017	31.12.2016
A. Gross deferred tax liabilities:	**85,835**	**85,974**
A1. Capital gains spreading	8,351	8,459
A2. Goodwill	-	-
A3. Property, plant and equipment	15,099	13,879
A4. Financial Instruments	1,010	-
A5. Staff expenses	-	-
A6. Other	61,375	63,636
B. Offset against deferred tax assets	**-**	**-**
C. Net deferred tax liabilities	**85,835**	**85,974**

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

	31.12.2017	31.12.2016
1. Opening balance	**756,562**	**793,985**
2. Increases	**476,732**	**32,419**
2.1 Deferred tax assets recognized in the period	95,561	30,571
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) writebacks	-	-
d) other	95,561	30,571
2.2 New taxes or increases in tax rates	48	32
2.3 Other increases	381,123	1,816
3. Decreases	**112,977**	**69,842**
3.1 Deferred tax assets derecognized in the year	88,954	68,370
a) reversals	88,954	68,370
b) write-downs for supervening non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	76
3.3 Other decreases	24,023	1,396
a) conversion into tax receivables pursuant to L. 214/2011	20,860	737
b) other	3,163	659
4. Closing balance	**1,120,317**	**756,562**

14.3.1 Changes in deferred tax assets pursuant to Italian Law 214/2011 (recognized in the Income Statement)

	31.12.2017	31.12.2016
1. Opening balance	**684,362**	**735,519**
2. Increases	**121,027**	**94**
3. Decreases	**82,137**	**51,251**
3.1 Reversals	61,273	50,468
3.2 Conversion into tax receivables	20,860	737
a) from loss for the year	19,048	737
b) from tax losses	1,812	-
3.3 Other decreases	4	46
4. Closing balance	**723,252**	**684,362**

Deferred tax assets pursuant to Italian Law 214/2011 were also recognized in equity for an amount of Euro 2,642 thousand.

Therefore, total deferred tax assets that can be converted into tax receivables pursuant to Italian Law 214/2011 came to Euro 725,894 thousand.

14.4 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN THE INCOME STATEMENT)

	31.12.2017	31.12.2016
1. Opening balance	**76,270**	**73,781**
2. Increases	**13,783**	**5,936**
2.1 Deferred tax liabilities recognized in the year	4,390	5,933
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	4,390	5,933
2.2 New taxes or increases in tax rates	2	3
2.3 Other increases	9,391	-
3. Decreases	**11,854**	**3,447**
3.1 Deferred tax liabilities derecognized in the year	9,221	3,435
a) reversals	9,221	3,435
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	1
3.3 Other decreases	2,633	11
4. Closing balance	**78,199**	**76,270**

14.5 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN EQUITY)

	31.12.2017	31.12.2016
1. Opening balance	**11,870**	**9,415**
2. Increases	**17,559**	**5,305**
2.1 Deferred tax assets recognized in the year	701	4,869
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	701	4,869
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	16,858	436
3. Decreases	**9,329**	**2,850**
3.1 Deferred tax assets derecognized in the year	6,270	199
a) reversals	6,270	199
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	3,059	2,643
4. Closing balance	**20,100**	**11,870**

(*) Higher taxes mainly resulted from the increase in the provision for Employee severance benefits, whereas lower ones resulted from lower writedowns of AFS securtities.

14.6 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN EQUITY)

	31.12.2017	31.12.2016
1. Opening balance	**9,704**	**52,628**
2. Increases	**11,179**	**814**
2.1 Deferred tax liabilities recognized in the year	8,520	808
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	8,520	808
2.2 New taxes or increases in tax rates	2	6
2.3 Other increases	2,657	-
3. Decreases	**13,247**	**43,738**
3.1 Deferred tax liabilities derecognized in the year	12,383	40,630
a) reversals	12,383	40,630
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	1
3.3 Other decreases	864	3,107
4. Closing balance	**7,636**	**9,704**

Section 15 – Non-current assets held for sale and discontinued operations and related liabilities – Item 150 of assets and item 190 of liabilities

15.1 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS: BREAKDOWN BY TYPE OF ASSET

	31.12.2017	31.12.2016
A. Non-current assets held for sale		
A.1 Financial assets	98	-
A.2 Equity investments	-	-
A.3 Property, plant and equipment	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**98**	**-**
of which measured at cost	98	-
of which measured at fair value -Level 1	-	-
of which measured at fair value -Level 2	-	-
of which measured at fair value -Level 3	-	-
B. Discontinued operations (discontinued operating units)		
B.1. Financial assets held for trading	-	-
B.2. Financial assets designated at fair value	-	-
B.3. Financial assets available for sale	-	-
B.4. Investments held to maturity	-	-
B.5. Loans to Banks	-	-
B.6 Loans to customers	-	-
B.7 Equity investments	-	-
B.8 Property, plant and equipment	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	-
Total B	**-**	**-**
of which measured at cost	-	-
of which measured at fair value -Level 1	-	-
of which measured at fair value -Level 2	-	-
of which measured at fair value -Level 3	-	-
C. Liabilities associated with non-current assets held for sale and discontinued operations		
C.1 Due and payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
of which measured at cost	-	-
of which measured at fair value -Level 1	-	-
of which measured at fair value -Level 2	-	-
of which measured at fair value -Level 3	-	-
D. Liabilities associated with discontinued operations		
D.1 Due to banks	-	-
D.2 Due to customers	-	-
D.3 Debt securities issued	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Net Financial liabilities designated at fair value	-	-
D.6 Provisions	-	-
D.7 Other liabilities	-	-
Total D	**-**	**-**
of which measured at cost	-	-
of which measured at fair value -Level 1	-	-
of which measured at fair value -Level 2	-	-
of which measured at fair value -Level 3	-	-

Section 16 – Other assets – Item 160

16.1 OTHER ASSETS: BREAKDOWN

	31.12.2017	31.12.2016
Sundry debits in process	43,862	35,647
Revenue stamps and other instruments	9,238	236
Items being processed	112,105	39,761
Accrued income not allocated to other items	36,497	6,976
Prepaid expenses not allocated to other items	116,860	97,879
Protested bills and cheques	2,127	756
Leasehold improvements	22,029	22,597
Tax advances paid on behalf of third parties	101,940	74,632
Sundry items	249,416	127,899
Total	**694,075**	**406,384**

LIABILITIES

Section 1 – Due to banks – Item 10

1.1 DUE TO BANKS: BREAKDOWN BY TYPE

Type of transactions/Group component	31.12.2017	31.12.2016
1. Due to central banks	**5,550,019**	**1,900,000**
2. Due to banks	**1,509,094**	**3,036,319**
2.1 Current accounts and demand deposits	241,811	110,418
2.2 Fixed-term deposits	218,116	2,036,631
2.3 Loans	1,044,644	884,406
2.3.1 Repurchase agreements for funding purposes	-	-
2.3.2 Other	1,044,644	884,406
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other due and payables	4,523	4,864
Total	**7,059,113**	**4,936,319**
Fair value – Level 1	-	-
Fair value – Level 2	7,059,113	4,936,319
Fair value – Level 3	-	-
Total fair value	**7,059,113**	**4,936,319**

The increase in Due to central banks resulted from the entry of the three newly-acquired Savings Banks in the consolidation perimeter and from the Group's borrowing within TLTRO II.

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	28.06.2017	28.06.2027	at maturity	3M Euribor + 219 b.p.	Euro	250,000	250,039
Subordinated deposit	11.12.2017	11.12.2027	at maturity	3M Euribor + 162 b.p.	Euro	400,000	400,288

1.3 BREAKDOWN OF ITEM 10 “DUE TO BANKS”: STRUCTURED LIABILITIES

At the end of 2017, there were no structured liabilities due to banks.

1.4 DUE TO BANKS WITH SPECIFIC HEDGES

At the end of 2017 there was no due to banks with specific hedges.

1.5 LIABILITIES FOR FINANCE LEASES

As at 31 December 2017, there was no due to banks resulting from finance lease transactions.

Section 2 – Due to customers – Item 20

2.1 DUE TO CUSTOMERS: BREAKDOWN BY TYPE

Type of transactions/Group component	31.12.2017	31.12.2016
1. Current accounts and demand deposits	38,773,963	29,956,636
2. Fixed-term deposits	1,510,750	909,993
3. Loans	36,583	30,587
3.1 Repurchase agreements for funding purposes	9,670	-
3.2 other	26,913	30,587
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other due and payables	254,069	239,422
Total	**40,575,365**	**31,136,638**
Fair value – Level 1	-	-
Fair value – Level 2	34,697,691	31,102,493
Fair value – Level 3	5,877,674	34,145
Total fair value	**40,575,365**	**31,136,638**

2.2 BREAKDOWN OF ITEM 20 “DUE TO CUSTOMERS”: SUBORDINATED LIABILITIES

At the end of 2017, there were no subordinated liabilities/debts to Customers.

2.3 BREAKDOWN OF ITEM 20 “DUE TO CUSTOMERS”: STRUCTURED LIABILITIES

At the end of 2017, there were no structured liabilities in the “Due to Customers” item.

2.4 DUE TO CUSTOMERS IN MICRO-HEDGE PORTFOLIOS)

As at 31 December 2015, there was no due to customers in the micro-hedge portfolio.

2.5 LIABILITIES FOR FINANCE LEASES

Due to customers for finance leases totalled Euro 1,227 thousand and referred to the residual amount due for principal under two property contracts signed with leasing companies.

Section 3 – Debt securities issued – Item 30

3.1 DEBT SECURITIES ISSUED: BREAKDOWN BY TYPE

Type of securities/values	31.12.2017				31.12.2016			
	Book value	*Fair value*			Book value	*Fair value*		
A. Securities		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Bonds	8,923,242	-	9,098,702	34	8,308,794	-	8,285,314	34
1.1 Structured	23,353	-	23,353	-	-	-	-	-
1.2 other	8,899,889	-	9,075,349	34	8,308,794	-	8,285,314	34
2. Other securities	792,511	-	1,227	792,755	447,247	-	1,934	445,386
2.1 Structured	-	-	-	-	-	-	-	-
2.2 other	792,511	-	1,227	792,755	447,247	-	1,934	445,386
Total	9,715,753	-	9,099,929	792,789	8,756,041	-	8,287,248	445,420

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	25/07/14	25/07/19	Six-monthly coupon	3.50% fixed-rate	euro	25,000	25,381
Subordinated loan	12/01/15	12/01/20	Six-monthly coupon	2.50% fixed-rate	euro	7,699	7,789
Subordinated loan	25/03/15	25/03/20	Six-monthly coupon	6M Euribor + 485 b.p.	euro	10,000	10,122
Subordinated loan	20/04/15	20/04/21	Six-monthly coupon	2.75% fixed-rate	euro	14,250	14,328
Subordinated loan	31/03/15	31/03/21	Six-monthly coupon	6M Euribor + 300 b.p.	euro	6,000	6,041
Subordinated loan	12/01/15	12/01/20	Six-monthly coupon	2.50% fixed-rate	euro	2,299	2,326
Subordinated loan	09/07/12	09/07/19	Six-monthly coupon	7.25% fixed-rate	euro	10,144	10,496
Subordinated loan	16/07/12	16/07/20	Six-monthly coupon	8.00% fixed-rate	euro	1,800	1,866
Subordinated loan	27/09/12	27/09/20	Six-monthly coupon	6.50% fixed-rate	euro	1,772	1,802
Subordinated loan	14/03/11	14/03/18	5 units from 14,03,2014	4.25% fixed-rate	euro	50,000	10,196
Subordinated loan	28/08/13	28/08/19	5 units from 28,08,2015	3.75% fixed-rate	euro	60,000	3,341
Subordinated loan	24/02/14	24/02/20	5 units from 20,02,2016	3.00% fixed-rate	euro	50,000	4,287
Subordinated loan	10/10/14	10/04/20	5 units from 10,04,2016	2.60% fixed-rate	euro	20,000	1,535
Subordinated loan	25/03/15	25/03/15	at maturity	3.00% fixed-rate	euro	55,000	55,447
Subordinated loan	24/10/11	24/04/18	bullet from maturity date	6M Euribor + 200 b.p.	euro	487	489
Subordinated loan	16/12/13	16/12/20	bullet from maturity date	4.25% fixed-rate	euro	25,000	25,043
Subordinated loan	15/09/14	15/09/19	bullet from maturity date	5.25% fixed-rate	euro	23,000	23,353
Subordinated loan	18/11/14	18/11/21	bullet from maturity date	3.20% fixed-rate	euro	30,000	30,113

3.3 BREAKDOWN OF ITEM 30 "DEBT SECURITIES ISSUED": SECURITIES SECURITIES IN MICRO-HEDGE PORTFOLIOS

As at 31 December 2017, securities in the micro-hedge portfolio for interest rate risk amounted to Euro 8,278 million.

Section 4 – Financial liabilities held for trading – Item 40

4.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN BY TYPE

Type of transactions/Group component	31.12.2017					31.12.2016				
	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		-	75,820	-			-	103,135	-	
1.1 Held for trading	X	-	75,820	-	X	X	-	103,135	-	X
1.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit Derivatives		-	-	-			-	-	-	
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B		-	75,820	-			-	103,135	-	
Total (A+B)	X	-	75,820	-	X	X	-	103,135	-	X

Key:
FV = fair value
FV* = fair value calculated excluding changes in value resulting from changes in the issuer's creditworthiness after the date of issue
NV: nominal or notional value

Section 5 – Net Financial liabilities designated at fair value – Item 50

5.1 NET FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE: BREAKDOWN BY TYPE

Type of transaction/Values	31.12.2017					31.12.2016				
	VN	FV			FV *	VN	FV			FV *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Due to banks	-	-	-	-		-	-	-	-	
1.1 Structured loans	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
2. Due to Customers	-	-	-	-		-	-	-	-	
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
3. Debt securities	63,216	-	67,201	-		-	-	-	-	
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	63,216	-	67,201	-	X	-	-	-	-	X
Total	63,216	-	67,201	-		-	-	-	-	

Key:
FV = fair value
FV* = fair value calculated excluding changes in value resulting from changes in the issuer's credit rating after the date of issue
NV: nominal value

As at 31 December 2017, total financial liabilities, consisting of bonds designated at fair value, came to Euro 67,201 thousand. Broken down by type, the existing Net Financial liabilities designated at fair value can be identified as securities with standard and simple financial characteristics, with fixed interest rates or pre-determined increasing interest rates (the so-called “Step-up securities”).

5.2 BREAKDOWN OF ITEM 50 “NET FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE”: SUBORDINATED LIABILITIES

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in foreign currency	Book value
Subordinated loan	31/03/10	31/03/20	bullet from maturity date	3.80% fixed-rate	euro	12,902	13,848
Subordinated loan	31/05/10	30/11/23	bullet from maturity date	4.00% fixed-rate	euro	4,050	4,648
Subordinated loan	20/09/10	20/09/22	bullet from maturity date	3.75% fixed-rate	euro	8,875	9,960

Section 6 – Hedging derivatives – Item 60

6.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF HEDGE AND BY LEVEL

	Fair value 31.12.2017			Notional value as at 31.12.2017	*Fair value* 31.12.2016			Notional value as at 31.12.2016
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial Derivatives	**-**	**279,748**	**247,927**	**9,939,976**	**-**	**314,185**	**434,342**	**7,031,669**
1) Fair value	-	279,748	247,927	9,939,976	-	314,185	434,342	7,031,669
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**279,748**	**247,927**	**9,939,976**	**-**	**314,185**	**434,342**	**7,031,669**

6.2 HEDGING DERIVATIVES: BREAKDOWN BY HEDGED PORTFOLIO AND BY TYPE OF HEDGE

Transactions/Type of hedge	*Fair value*						Cash flows		Investments in foreign operations
	Micro-hedging					Macro-hedging	Micro-hedging	Macro-hedging	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale	335,559	-	-	807	-	X	-	X	X
2. Loans and Receivables	29,155	-	-	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	**364,714**	**-**	**-**	**807**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	162,154	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	**162,154**	**-**	**-**		**-**	**-**	**-**	**-**	
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 126,341 thousand for hedging own bonds issued and Euro 35,813 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	31.12.2017	31.12.2016
1. Increase in fair value of	-	-
hedged financial liabilities	373,754	550,874
2. Decrease in fair value of	-	-
hedged financial liabilities	-	-
Total	**373,754**	**550,874**

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 BREAKDOWN

Type of transaction/Values	31.12.2017	31.12.2016
Financial liabilities	10,758,700	9,336,900

Section 8 – Tax Liabilities – Item 80

See Section 14 – Assets.

Section 10 – Other liabilities – Item 100

10.1 OTHER LIABILITIES: BREAKDOWN

	31.12.2017	31.12.2016
Trade payables	215,938	206,401
Amounts due to third parties	259,006	243,709
Credit transfers ordered and being processed	92,360	42,444
Amounts payable to tax authorities on behalf of third parties	85,803	83,330
Advances on loans to mature	581	50
Adjustments for illiquid items	9,393	1,325
Staff expenses	72,853	65,063
Uncapitalized accrued expenses	25,015	13,470
Deferred income not allocated to other items	103,570	92,703
Risk hedging for guarantees issued and commitments	35,276	7,568
Sundry items	227,044	176,868
Total	**1,126,839**	**932,931**

Section 11 – Employee severance benefits – Item 110

11.1 EMPLOYEE SEVERANCE BENEFITS: CHANGES FOR THE YEAR

	31.12.2017	31.12.2016
A. Opening balance	146,378	144,318
B. Increases	21,771	6,707
B.1 Provision for the year	1,321	1,962
B.2. Other changes	20,450	4,745
C. Decreases	17,019	4,647
C.1 Severance payments	16,332	4,406
C.2 Other changes	687	241
D. Closing balance	151,130	146,378
Total	**151,130**	**146,378**

11.2 OTHER INFORMATION

Information on the characteristics of defined-benefit plans and risks associated with them (IAS 19, paragraph 139)

Employee Severance Benefits

Pursuant to the Italian legislation, at the date of termination of his/her employment contract with a company, each employee is entitled to a severance package called "Trattamento di Fine Rapporto" (Employee Severance Benefits or with the Italian acronym TFR) equal to the sum of the Severance Benefits accrued for each year of work for the employer.

The benefit accrued each year is equal to 6.91% of the gross annual Pay. This rate is calculated dividing the ordinary pay by 13.5; to the resulting amount a 0.5% deduction is made and paid directly to the Italian National Social Security Institute (INPS) as pension contribution.

Moreover, as at 31 December of each year, the Provision for Employees' Severance Benefits is subject to revaluation applying a fixed-rate of 1.5% plus 75% of the increase in the consumer price index for blue-collar and white-collar households for the year.

The revalued amount as calculated above is taxed at a 17% rate, as provided for by the Italian 2015 Stability Law (Italian Law No. 190 of 23 December 2014).

Pursuant to the applicable legislation, employees may ask for advances on their Severance Benefits accrued when the employment relation is still going on. This advance may be obtained only once during the employment relation, after at least 8 years on staff and up to 70% of the Employee Severance Benefits accrued as at the date of request.

With the entry into force of Italian 2007 Finance Act, concerning also the Reform of Supplementary Pension Schemes, the measurement of Employee Severance Benefits, in accordance with IAS 19 Revised, shall take account of the impacts of this Act, as well as of the guidelines for their calculation, which were issued by the Italian National Association of Actuaries and by the Organismo Italiano di Contabilità (the Italian National Accounting Body).

Specifically, for the Companies of the Crédit Agricole Italia Banking Group which have less than 50 employees, effective from 31 December 2006, the employee severance benefits accrued have been paid to external Supplementary Pension Schemes or to the State Treasury Fund managed by the Italian National Social Security Institute (INPS).

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, equal to the 0.5% contribution paid to the Italian National Social Security Institute (INPS) by the workers.

Such supplementary amount accrues on a monthly basis and is revalued in accordance with the ISTAT (the Italian National Institute of Statistics) index for the revaluation of employee severance benefits.

Additional 2.75% revaluation of employee severance benefits

For formerly Intesa employees of Crédit Agricole Cariparma and Crédit Agricole Carispezia, in case of employment termination, a supplementary amount is granted, which is calculated by applying an additional fixed revaluation equal to 2.75% to the employee severance benefits accrued since 1992, on a yearly basis. This amount is then revalued, on a yearly basis, according to the reference ISTAT (the Italian National Institute of Statistics) index.

Changes for the years in the defined-benefit plan net liabilities (assets) and in rights to repayment (IAS 19, paragraphs 140 and 141)

The statement of reconciliation for 2017 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 1 Jan. 2017		**146,378**
a	Service cost	50
b	Interest cost	1,268
c	Transfer in/out	-
d.1	Actuarial gains/losses from changes in financial assumptions	293
d.2	Actuarial gains/losses from changes in demographic assumptions	-
d.3	Actuarial gains/losses from demographic experience	-441
e	Payments provided for by the Plan	-16,280
Actuarial value of the obligation as at 31 Dec. 2017 – perimeter before the business combination		**131,268**
- Other changes resulting from the business combination		19,862
Actuarial value of the obligation as at 31 Dec. 2017		**151,130**

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 (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 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 given by the Parent Company Crédit Agricole S.A., the rate adopted was IBOXX AA 0.91% (IBOXX duration 7-10 years);

b.2 The cost of living index for white-collar and blue-collar households, required for the revaluation of the employee severance benefits amounts allocated to provision, was assumed at 1.75%;

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 based on the national and company collective bargaining agreements;

b.4 As regards the average annual rate of increase in pay for changes in the minimum wage, which 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:

2. Discount rate

	Actuarial value of the obligation as at 31 Dec. 2017	
Central assumption	**+50 bp**	**-50 bp**
131,261	126,810	135,862

3. Inflation rate

	Actuarial value of the obligation as at 31 Dec. 2017	
Central assumption	**+100 bp**	**-100 bp**
131,261	134,144	128,536

4. Turnover rate

	Actuarial value of the obligation as at 31 Dec. 2017	
Central assumption	**+50 bp**	**-50 bp**
131,261	130,607	130,975

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: BREAKDOWN

Items/Components	31.12.2017	31.12.2016
1 Company pension plans	40,191	19,045
2. Other provisions for risks and charges	393,762	174,281
2.1 legal disputes	75,305	49,467
2.2 staff expenses	156,961	73,601
2.3 other	161,496	51,213
Total	**433,953**	**193,326**

For more exhaustive reporting on the composition of item “2.3 Other”, please refer to paragraph “12.4 PROVISIONS FOR RISKS AND CHARGES – OTHER PROVISIONS” herein.

12.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES FOR THE YEAR

Items/Components	31.12.2017	
	Pension plans	Other provisions
A. Opening balance	19,045	174,281
B. Increases	24,075	300,390
B.1 Provision for the year	-	122,459
B.2 Changes due to time passing	252	9
C.2 Changes due to changes in the discount rate	568	-
B.4 Other changes	23,255	177,922
C. Decreases	2,929	80,909
C.1 Use in the year	2,929	68,033
C.2 Changes due to alterations in the discount rate	-	-
C.3 Other changes	-	12,876
D. Closing balance	40,191	393,762

12.3 DEFINED-BENEFIT COMPANY PENSION PLANS

1. Information on 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 any ground whatsoever, in compliance with the specific Regulations of the Pension Funds.

As at today's date, in accordance with the above Regulations, the employees on staff are not entitled to the benefits provided by the Pension Funds.

The plan is funded by a provision accrued by the Company, determined based on the mathematical reserve, certified annually by an independent actuary.

These benefits may consist in a pension assigned directly to the person concerned, in a pension assigned indirectly to the surviving family of the person concerned dying either before or after retirement.

As at 31 December 2017, 303 people were the beneficiaries of the Pension Plans (141 women and 162 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 2017 is given below:

Actuarial value of the obligation as at 1 Jan. 2017		**19,045**
a	Service cost	-
b	Interest cost	170
c.1	Actuarial gains/losses from changes in financial assumptions	-22
c.2	Actuarial gains/losses from changes in demographic assumptions	-
c.3	Actuarial gains/losses from demographic experience	555
d	Payments provided for by the Plan	-2,134
Actuarial value of the obligation as at 31 Dec. 2017		**17,614**
- Other changes resulting from the business combination		22,577
Actuarial value of the obligation as at 31 Dec. 2017		**40,191**

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 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 Pans 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, differentiated technical bases were used according to the age and gender of the member;
- The cost of living index for white-collar and blue-collar households, required for smoothing the annual pension instalments, was assumed at 1.75%;
- 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 0.91%.

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:

2. Discount rate

	Actuarial value of the obligation as at 31 Dec. 2017	
Central assumption	**+50 bp**	**-50 bp**
17,614	17,014	18,256

4. Turnover rate

	Actuarial value of the obligation as at 31 Dec. 2017	
Central assumption	**+20 bp**	**-20 bp**
17,614	15,934	19,833

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 reports, among other things, the provisions allocated in 2016 by the Crédit Agricole Italia Banking Group (with the perimeter before the acquisition), 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.

The increase in this item resulted from the amounts allocated to the Voluntary Redundancy Provision by the three newly-acquired Banks, specifically:

- Cassa di Risparmio di San Miniato allocated Euro 42,336 thousand for the voluntary redundancy of 147 resources;
- Cassa di Risparmio di Rimini allocated Euro 28,585 thousand for the voluntary redundancy of 96 resources;
- Cassa di Risparmio di Cesena allocated Euro 24,908 thousand for the voluntary redundancy of 175 resources.

Sub-item 2.3 also reports provisions for Credit Protection insurance policies pursuant to ISVAP (former Italian Insurance Supervisory Authority) No. 35 requiring insurance undertakings to return 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 Group to reimburse the insurer for the portion of commissions received on premiums paid by Customers.

Moreover, this sub-item reports the provisions allocated by the three newly-acquired Banks for estimated expenses that are expected to be be borne in 2018 for withdrawal from contracts currently in force with commercial partners and IT providers, in order to adopt the commercial policies and standards, as well as the IT applications and processes as implemented by the Crédit Agricole Italia Banking Group and to achieve cost and revenue synergies.

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 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 this dispute.

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, on the three transfers made, for approximately Euro 1.5 Mln, Euro 2.2 million and Euro 9.9 million, plus interest, respectively.

In the first half of 2017, having regard to the two disputes concerning the transfer of Carifirenze (Euro 1.5 Mln) and the transfer of FriulAdria (Euro 2.2 Mln), favourable judgements were issued by the competent courts of second instance, against which the Agenzia delle Entrate filed appeal with the Italian Court of Cassation; on the third dispute concerning the transfer of ISP (Euro 9.9 Mln), for the time being, a favourable judgement was issued by the competent court of first instance only.

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 remarks set forth above cannot but apply also to this latest dispute and, therefore, no provisions have been allocated for it.

A new dispute started in 2014 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 first-instance judgement has confirmed the claim of the Agenzia delle Entrate as to the tax amount, while it overruled the penalty claim. Continuing such dispute was deemed appropriate, based on the valid arguments put forward, and, at the end of July 2016, an appeal was filed with the competent Court of second instance, against which the Agenzia delle Entrate submitted its counter-arguments.

In December 2017, Sliders Srl – a fully-owned subsidiary of Crédit Agricole Cariparma subsequent to a complex transactions for the turnaround of the RDB Group – was served a verification notice, claiming payment of taxes for Euro 4.1 Mln and of penalties for Euro 3.7 Mln, plus interest. Within a complex transaction for the rescue of a large manufacturing company, in which the Italian banking system took part, Sliders Srl operated as the special-purpose entity for part of the overall transaction. Specifically, it acquired bank receivables that were then used for the subsequent capitalization of the company experiencing difficulties, laying down that the value that would have finally been paid for such receivables to the transferors would have been equal to the amount to be recovered, but this value came to zero. For a transaction in which, overall, Sliders gained nothing and lost nothing, as very clear from inception, it has been asked to include in its taxable base a value that has been determined in accordance with the difference between the nominal value of the acquired receivables and the value finally paid for their purchase, i.e. zero. Also in the light of opinions given by a leading Law Firm, sound arguments are believed to exist to successfully appeal against the claim made by the Agenzia delle Entrate and, therefore, no specific provision has been allocated in this regard.

In the second half of 2016, Crédit Agricole FriulAdria was subject to a general audit by the Agenzia delle Entrate regarding the 2013 tax year, which was resumed in 2017, and different Reports of Verification (Italian acronym PVC) were subsequently served. A similar event concerned Crédit Agricole Carispezia that, at the end of fine 2016, was also served a Report of Verification (PVC), which 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, if 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 material for the Group, no specific provision was recognized.

As regards Crédit Agricole Carispezia, after the audit carried out in 2016, a verification notice was served concerning the 2012 tax year, questioning the correctness of referring some income items stated in the 2013 tax return to the previous year, claiming payment of taxes for Euro 1.1 million, plus penalties and interests. While fully disagreeing with the arguments for this claim, considering the right to the refund on the 2013 tax year of an amount essentially equal to that payable in case of acceptance, the Bank did not file appeal.

Description of disputes with contingent liabilities stated as possible

Description of disputes with contingent liabilities stated as possible regarding Cassa di Risparmio di Rimini: it is specified that, in 2011, a summons was served, among others, also to the Bank and to its then subsidiary CIS – Credito Industriale Sammarinese SpA regarding a collateral in favour of the latter and entailing a claim of about Euro 31 million, plus interest and revaluation from 4 January 2008 to the date of settlement. It is to be considered that the facts dealt with in the lawsuit in question occurred mostly before the acquisition of CIS – Credito Industriale Sammarinese SpA by CARIM and that the contract for the purchase of the shares, which was signed on 21 January 2005 with Banca Antonveneta, contains a specific provision on this matter. The lawsuit is currently pending before the Italian Court of Cassation for its decision on the court of competent jurisdiction.

In November 2016, a former Customer of the then former subsidiary CIS – Credito Industriale Sammarinese SpA, sued 4 parties, including a bank, in addition to CARIM in its capacity as the controlling company of the bank, claiming damange compensation for alleged wilful misconduct and negligence of the defendants that were accused of being liable for more severe financial distress of the companies belonging to the Group led by the customer and for their subsequent bankruptcy. The aforementioned wilful misconduct and negligence allegedly caused the zeroing of the value of the equity investments held by the customer, with the subsequent claim of damage compensation for Euro 75 million. For the time being, based on the progress in the lawsuit and on the opinion of the external legal counsels in charge of the matter, there are sound arguments for defence against the claims filed against CARIM.

Section 15 – Group Equity – Items 140, 160, 170, 180, 190, 200 and 220

15.1 CAPITAL AND TREASURY SHARES: BREAKDOWN

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	**58,076,225**	**-**
B.1 New issues	58,076,225	-
- for a consideration:	58,076,225	-
- 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	**934,837,845**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares – closing balance	934,837,845	-
- fully paid in	934,837,845	-
- partially paid in	-	-

In December 2017, within the project for the acquisition of the majority shareholdings in Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato, the Parent Company Crédit Agricole Cariparma made a share capital increase of Euro 320 million, which was fully subscribed by its Shareholders. Within the aforementioned share capital increase 58,076,225 ordinary shares were subscribed having a nominal value of Euro 1, at a unit price of Euro 5.51 (of which Euro 4.51 as share premium).

15.3 CAPITAL: OTHER INFORMATION

The Parent Company's share capital , fully paid in, consists of 934,837,845 ordinary shares, with a nominal value of Euro 1 each.

15.4 INCOME RESERVES: OTHER INFORMATION

Items/Types	Amounts
Legal reserve	164,026
Reserves provided for by the Articles of Association	861,951
Reserve pursuant to Art. 13 of It. Leg. D 124/93(*)	314
Other reserves	138,419
Total	**1,164,710**
Reserve from share-based payments(**)	3,602
Other reserves	-18,136
Total reserves	**1,150,176**

(*) Reserve pursuant to Art.13 of Italian Legislative Decree No. 124/39 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 165 million; therefore, as at 31 December 2017, this item came to Euro 365 million.

The “Treasury shares” item reports the Group’s portion of the treasury shares of Crédit Agricole FriulAdria, Cassa di Risparmio di Cesena and Cassa di Risparmio di San Miniato.

Section 16 – Minority interests – Item 210

16.1 BREAKDOWN OF ITEM 210 “MINORITY INTERESTS”

Company name	31.12.2017
Equity investments in consolidated companies with significant minority interests	
1. Crédit Agricole FriulAdria S.p.A.	144,202
2. Crédit Agricole Carispezia S.p.A.	48,701
3. Crédit Agricole Leasing S.r.l.	15,387
4. Crédit Agricole Group Solutions S.c.p.A.	353
5. Cassa di Risparmio di Cesena	32,139
6. Cassa di Risparmio di Rimini	10,333
7 Cassa di Risparmio di San Miniato	8,349
Other equity investments	15
Total	**259,479**

16.2 EQUITY INSTRUMENTS: BREAKDOWN AND CHANGES FOR THE YEAR

Items/Components	31.12.2017	31.12.2016
1. Share Capital	100,356	61,070
2. Share premium reserve	135,025	99,941
3. Reserves	12,726	34,120
4. (Treasury Shares)	-963	-964
5. Valuation reserves	695	887
6. Equity instruments	-	-
7 Net profit (loss) for the year attributable to minority interest	11,640	10,844
Total	**259,479**	**205,898**

OTHER INFORMATION

1. Guarantees issued and commitments

Transactions	31.12.2017	31.12.2016
1) Financial guarantees issued	882,729	814,191
a) Banks	224,141	228,374
b) Customers	658,588	585,817
2) Commercial guarantees issued	1,356,840	1,061,416
a) Banks	75,272	92,300
b) Customers	1,281,568	969,116
3) Irrevocable commitments to disburse funds	1,190,885	132,481
a) Banks	9,072	3,199
i) certain use	6,964	3,199
ii) uncertain use	2,108	-
b) Customers	1,181,813	129,282
i) certain use	87,293	2,073
ii) uncertain use	1,094,520	127,209
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets pledged as collaterals for third-party debts	3,257	-
6) Other commitments	169,553	122,453
Total	**3,603,264**	**2,130,541**

2. Assets pledged as collateral for own liabilities and commitments

Portfolios	31.12.2017	31.12.2016
1. Financial assets held for trading	-	–
2. Financial assets designated at fair value	-	–
3. Financial assets available for sale	545,407	250,488
4. Investments held to maturity	2,214,296	–
5. Loans to Banks	-	–
6. Loans to Customers	5,835,792	3,247,105
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)	1,884	2,768			4,652
Other – office machinery	13	13			26
Other – telephones (landline and mobile)					-
Other – other					-
Software					-
Total	**1,897**	**2,781**	**-**	**-**	**4,678**

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)	1,816			1,816
Other – office machinery	268			268
Other – telephones (landline and mobile)				-
Other – other				-
Software				-
Total	**2,084**	**-**	**-**	**2,084**

OPERATING LEASES – LESSEE – IAS 17 ART. 35 – LETTER D

Description of contracts	Criteria for determining lease payments	Renewal or purchase option clauses	Indexing clauses
Other – motor-vehicles (including cars)	Fee determined based on brand, 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	---

5. Management and intermediation services

Type of services	Amounts
1. Trading on behalf of customers	**412**
a) purchases	206
1. settled	206
2. not yet settled	-
b) sales	206
1. settled	206
2. not yet settled	-
2. Asset management	1,329,997
a) individual	1,329,997
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	41,916,669
1. securities issued by the companies included in the consolidation	4,660,036
2. other securities	37,256,633
c) third-party securities deposited with third parties	40,415,369
c) proprietary securities deposited with third parties	8,860,968
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) 31.12.2017	Net amount 31.12.2016
				Financial Instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	643,930	-	643,930	542,958	72,235	28,737	32,883
2. Repurchase agreements	32,368	-	32,368	32,136	-	232	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31 Dec. 2017	**676,298**	**-**	**676,298**	**575,094**	**72,235**	**28,969**	**X**
Total 31 Dec. 2016	**841,264**	**-**	**841,264**	**752,997**	**55,384**	**32,883**	**32,883**

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) 31.12.2017	Net amount 31.12.2016
				Financial Instruments (d)	Cash deposits as collateral (e)		
1. Derivatives	603,021	-	603,021	543,103	3,576	56,342	86,781
2. Repurchase agreements	9,477	-	9,477	9,438	-	39	2,005
3. Securities lending	-	-	-	-	-	-	-
4. Other transactions	-	-	-	-	-	-	-
Total 31 Dec. 2017	**612,498**	**-**	**612,498**	**552,541**	**3,576**	**56,381**	**X**
Total 31 Dec. 2016	**851,660**	**-**	**851,660**	**752,997**	**-**	**98,663**	**98,663**

PART C INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 – Interests – Items 10 and 20

1.1 INTEREST INCOME AND SIMILAR REVENUES: BREAKDOWN

Items/Technical forms	Debt securities	Loans	Other transactions	31.12.2017	31.12.2016
1 Financial assets held for trading	8	-	-	8	9
2 Financial assets designated at fair value		-	-	-	-
3 Financial assets available for sale	92,573	-	-	92,573	101,331
4 Investments held to maturity	12,138	-	-	12,138	-
5 Loans to Banks	4	11,810	-	11,814	24,983
6 Loans to Customers	5,440	694,585	1,473	701,498	756,675
7 Hedging derivatives	X	X	181,606	181,606	182,159
8 Other assets	X	X	16,546	16,546	5,644
Total	**110,163**	**706,395**	**199,625**	**1,016,183**	**1,070,801**

1.2 INTEREST INCOME AND SIMILAR REVENUES: DIFFERENCES ON HEDGING TRANSACTIONS

Items/Values	31.12.2017	31.12.2016
A. Positive differences on hedging transactions	338,534	361,856
B. Negative differences on hedging transactions	(156,928)	(179,697)
C. Balance (A-B)	**181,606**	**182,159**

1.3 INTEREST INCOME AND SIMILAR REVENUES: OTHER INFORMATION

1.3.1 Interest income on foreign-currency financial assets

As at 31 December 2017, interest income on foreign-currency financial assets came to Euro 4,498 thousand.

1.3.2 Interest income on finance lease transactions

As at 31 December 2017, interest income on finance lease transactions came to Euro 38,140 thousand.

1.4 INTEREST EXPENSES AND SIMILAR CHARGES: BREAKDOWN

Items/Technical forms	Due and payables	Securities	Other transactions	31.12.2017	31.12.2016
1. Due to central banks	(5,219)	X	-	(5,219)	(1,849)
2. Due to banks	(15,216)	X	-	(15,216)	(19,577)
3. Due to Customers	(32,174)	X	-	(32,174)	(46,686)
4. Debt securities issued	X	(91,119)	-	(91,119)	(126,168)
5. Financial liabilities held for trading	-	-	-	-	-
6. Net Financial liabilities designated at fair value	-	(73)	-	(73)	-
7. Other liabilities and provisions	X	X	(6,112)	(6,112)	(1,543)
8. Hedging derivatives	X	X	(47)	(47)	-
Total	**(52,609)**	**(91,192)**	**(6,159)**	**(149,960)**	**(195,823)**

1.6 INTEREST EXPENSES AND SIMILAR CHARGES: OTHER INFORMATION

1.6.1 Interest expense on foreign-currency liabilities

As at 31 December 2017, interest expense on foreign-currency financial liabilities came to Euro 1,818 thousand.

1.6.2 Interest expenses on liabilities for finance lease transactions

In 2017, 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: BREAKDOWN

Type of services/Values	31.12.2017	31.12.2016
a) guarantees issued	16,538	16,926
b) credit derivatives	-	-
c) management, intermediation and advisory services:	450,885	382,938
1. trading in financial instruments	8	-
2. foreign exchange trading	4,091	4,020
3. asset management	12,666	11,920
3.1. individual	12,666	11,920
3.2. collective	-	-
4. custody and administration of securities	4,612	5,131
5. depositary bank services	-	-
6. placement of securities	168,967	134,729
7. receipt and transmission of orders	8,667	8,621
8. advisory services	326	484
8.1 on investments	47	-
8.1 on financial structure	279	484
9. distribution of third-party services	251,548	218,033
9.1. asset management	461	-
9.1.1. individual	8	-
9.1.2. collective	453	-
9.2 insurance products	222,917	194,710
9.3. other products	28,170	23,323
d) collection and payment services	47,153	44,103
e) servicing activities for securitizations	11	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) management of multilateral exchange systems	-	-
i) keeping and managing current accounts	173,431	175,522
j) other services	93,799	90,643
Total	**781,817**	**710,132**

2.2 FEE AND COMMISSION EXPENSE: BREAKDOWN

Services/Values	31.12.2017	31.12.2016
a) guarantees received	(12,481)	(9,042)
b) credit derivatives	-	-
c) management and intermediation services:	(7,775)	(7,020)
1. trading in financial instruments	(1,738)	(1,491)
2. foreign exchange trading	-	-
3. asset management:	(2,300)	(2,011)
3.1 own portfolio	-	-
3.2 third-party portfolio	(2,300)	(2,011)
4. custody and administration of securities	(1,144)	(1,147)
5. placement of financial instruments	(2,593)	(2,371)
6. off-premises distribution of financial instruments, products and services	-	-
d) collection and payment services	(2,601)	(2,720)
e) other services	(24,899)	(10,813)
Total	**(47,756)**	**(29,595)**

Section 3 – Dividends and similar revenues – Item 70

3.1 DIVIDENDS AND SIMILAR REVENUES: BREAKDOWN

Items/Revenues	31.12.2017		31.12.2016	
	Dividends	Income from units of collective investment undertakings	Dividends	Income from units of collective investment undertakings
A. Financial assets held for trading	3	-	6	-
B. Financial assets available for sale	8,836	-	8,736	-
C. Financial assets designated at fair value	-	-	-	-
D. Equity investments	-	X	-	X
Total	**8,839**	**-**	**8,742**	**-**

Section 4 – Net profits (losses) on trading activities – Item 80

4.1 NET PROFITS (LOSSES) ON TRADING ACTIVITIES: BREAKDOWN

Transactions/Income components	Capital gains (A)	Trading profits B)	Capital losses (C)	Trading losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets held for trading	**4**	**1,089**	**(2)**	**(211)**	**880**
1.1 Debt securities	4	625	(2)	(28)	599
1.2 Equity securities	-	3	-	(2)	1
1.3 Units of collective investment undertakings	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	461	-	(181)	280
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**	**5,198**
4. Derivative instruments	**50,375**	**40,672**	**(43,243)**	**(35,357)**	**12,432**
4.1 Financial derivatives:	50,375	40,672	(43,243)	(35,357)	12,432
- On debt securities and interest rates	49,684	40,182	(43,003)	(34,883)	11,980
- On equity securities and equity indices	445	-	-	-	445
- On foreign exchange and gold	X	X	X	X	(15)
- Other	246	490	(240)	(474)	22
4.2 Credit derivatives	-	-	-	-	-
Total	**50,379**	**41,761**	**(43,245)**	**(35,568)**	**18,510**

Section 5 – Net profits (losses) on hedging activities – Item 90

5.1 NET PROFITS (LOSSES) ON HEDGING ACTIVITIES: BREAKDOWN

Income components/Values	31.12.2017	31.12.2016
A. Income on:	-	-
A.1 Fair value hedging derivatives	418,606	284,491
A.2 Hedged financial assets (fair value)	31,816	101,497
A.3 Hedged financial liabilities (fair value)	244,434	88,570
A.4 Cash flow hedging financial derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income on hedging activities (A)	**694,856**	**474,558**
B. Expenses on:	-	-
B.1 Fair value hedging derivatives	(654,075)	(380,284)
B.2 Hedged financial assets (fair value)	(46,425)	(26,848)
B.3 Hedged financial liabilities (fair value)	(6,948)	(74,544)
B.4 Cash flow hedging financial derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses on hedging activities (B)	**(707,448)**	**(481,676)**
C. Net profit (loss) on hedging (A – B)	**(12,592)**	**(7,118)**

Section 6 – Profits (losses) on disposal/repurchase – Item 100

6.1 PROFITS (LOSSES) ON DISPOSAL/REPURCHASE: BREAKDOWN

Items/Income components	31.12.2017			31.12.2016		
	Profits	Losses	Net profits (losses)	Profits	Losses	Net profits (losses)
Financial assets						
1. Loans to Banks	-	-	-	-	-	-
2. Loans to Customers	95,480	(110,740)	(15,260)	3,085	(19,604)	(16,519)
3. Financial assets available for sale	85,073	(41,945)	43,128	81,580	(32,729)	48,851
3.1 Debt securities	80,154	(41,807)	38,347	80,859	(32,729)	48,130
3.2 Equity securities	3,471	(127)	3,344	721	-	721
3.3 Units of collective investment undertakings	1,448	(11)	1,437	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-	-	-	-	-
Total Assets	**180,553**	**(152,685)**	**27,868**	**84,665**	**(52,333)**	**32,332**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to Customers	-	-	-	-	-	-
3. Debt securities issued	206	(1,758)	(1,552)	526	(2,807)	(2,281)
Total liabilities	**206**	**(1,758)**	**(1,552)**	**526**	**(2,807)**	**(2,281)**

Section 7 – Net profits (losses) on financial assets and liabilities designated at fair value – Item 110

7.1 NET CHANGE IN VALUE OF FINANCIAL ASSETS/LIABILITIES DESIGNATED AT FAIR VALUE: BREAKDOWN

Transactions/Income components	Capital gains (A)	Realization Profits (B)	Capital losses (C)	Realization Losses (D)	Net profit (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	-	473	(278)	(3)	192
2.1 Debt securities	-	473	(278)	(3)	192
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currencies: exchange rate differences	X	X	X	X	
4. Credit and financial derivatives	-	-	(222)	-	(222)
Total	-	473	(500)	(3)	(30)

Section 8 – Net losses/recoveries on impairment – Item 130

8.1 NET LOSSES ON IMPAIRMENT OF LOANS: BREAKDOWN

Transactions/income components	Losses on impairment/adjustments			Recoveries on impairment/writebacks				Total (31.12.2017)	Total (31.12.2016)
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Loans to Banks	-	-	-	-	-	-	-	-	-
- loans	-	-	-	-	-	-	-	-	-
- debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers	(31,947)	(325,254)	(46,597)	55,753	75,462	-	59,847	(212,736)	(221,133)
Non-performing loans purchased	-	(1)	-	-	-	-	-	(1)	-
- loans	-	-	X	-	-	X	X	-	-
- debt securities	-	(1)	X	-	-	X	X	(1)	-
Other loans and receivables	(31,947)	(325,253)	(46,597)	55,753	75,462	-	59,847	(212,735)	(221,133)
- loans	(31,947)	(325,253)	(46,597)	55,753	75,441	-	59,847	(212,756)	(221,133)
- debt securities	-	-	-	-	21	-	-	21	-
C. Total	(31,947)	(325,254)	(46,597)	55,753	75,462	-	59,847	(212,736)	(221,133)

Key:
A = from interest
B = other recoveries/writebacks

8.2 NET LOSSES ON IMPAIRMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE: BREAKDOWN

Transactions/Income components	Losses on impairment/ adjustments		Recoveries on impairment/ writebacks		31.12.2017	31.12.2016
	Specific		Specific			
	Writeoffs	Other	A	B		
A. Debt securities	-	(312)	-	-	(312)	-
B. Equity securities	(50)	(28,029)	X	X	(28,079)	(655)
C. Units of Collective Investment Undertakings	-	(1,788)	X	6,835	5,047	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	(50)	(30,129)	-	6,835	(23,344)	(655)

Key:
A= from interest
B= other recoveries/writebacks

8.4 NET LOSSES ON IMPAIRMENT OF OTHER FINANCIAL ACTIVITIES/ TRANSACTIONS: BREAKDOWN

Transactions/Income components	Losses on impairment/adjustments			Recoveries on impairment/Writebacks				31.12.2017	31.12.2016
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Guarantees issued	-	(4,080)	(1,198)	135	2,548	-	1,139	(1,456)	730
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	-	(4,080)	(1,198)	135	2,548	-	1,139	(1,456)	730

Key:
A = from interest
B = other recoveries/writebacks

Section 11 – Administrative expenses – Item 180

11.1 STAFF EXPENSES: BREAKDOWN

Type of expenses/Sectors	31.12.2017	31.12.2016
1) Employees	(605,007)	(630,981)
a) wages and salaries	(435,190)	(419,156)
b) social security contributions	(115,927)	(110,325)
c) severance benefits	(601)	(183)
d) pensions	-	-
e) allocation to employee severance benefit provision	(1,321)	(1,962)
f) allocation to provision for Post-employment benefits:	(174)	(270)
- defined-contribution	-	-
- defined-benefit	(174)	(270)
g) payment to external supplementary pension schemes:	(37,197)	(39,646)
- defined-contribution	(37,197)	(39,646)
- defined-benefit	-	-
h) costs from share-based payment agreements	-	-
i) other employee benefits	(14,597)	(59,439)
2) Other staff	(2,793)	(3,194)
3) Directors and Auditors	(2,972)	(2,751)
4) Retired staff	-	-
Total	**(610,772)**	**(636,926)**

11.2 AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY

Employees:	31.12.2017
a) Senior Managers	118
b) Junior Managers	4,376
c) other Employees	5,326
Other staff	71

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	31.12.2017	31.12.2016
Provision for the year	-	-
Changes due to passing of time	(170)	(270)

11.4 OTHER EMPLOYEE BENEFITS

These consisted of costs for non-occupational policies, incentives for voluntary redundancy, other fringe benefits, as well as to the contribution to the bank employees' cultural and recreational club.

11.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

Type of expense/Values	31.12.2017	31.12.2016
Direct and indirect taxes	(101,773)	(103,801)
IT services, data processing	(44,747)	(43,226)
Facility rental and management	(48,407)	(48,475)
Expenses for advisory services	(40,834)	(26,589)
Mail, telegraph and delivery services	(5,925)	(5,414)
Telephone and data transmission	(6,708)	(9,275)
Legal expenses	(8,825)	(8,764)
Property maintenance	(3,242)	(2,034)
Furnishing and plant maintenance	(14,903)	(14,464)
Marketing, promotion and entertainment expenses	(13,092)	(10,263)
Transport services	(28,647)	(22,212)
Lighting, heating and air conditioning	(12,497)	(14,482)
Printed material, stationery and consumables	(5,269)	(5,053)
Staff training expenses and reimbursements	(10,537)	(8,996)
Security services	(2,493)	(2,821)
Information and title searches	(5,156)	(6,117)
Insurance premiums	(163,447)	(167,960)
Cleaning services	(5,435)	(5,546)
Leasing of other property, plant and equipment	(8,548)	(7,789)
Management of archives and document handling	(1,910)	(1,829)
Reimbursement of costs to Group companies	(25,189)	(25,360)
- Contributions to SRF/DGS/SPS	(34,046)	(44,838)
Sundry expenses	(11,054)	(14,207)
Total	**(602,684)**	**(599,515)**

Section 12 – Net provisions for risks and charges: Item 190

12.1 NET PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

Net provisions for risks and charges came to Euro 58.2 million and consisted of Euro 5.8 million worth provisions for non-lending-related legal disputes, Euro 4.4 million worth of provisions for lending-related legal disputes and Euro 48 million worth of other provisions, of which Euro 42 million mainly for estimated penalties to be paid in order to terminate contracts with commercial partners and IT providers.

Section 13 – Net adjustments of/recoveries on property, plant and equipment – Item 200

13.1 NET VALUE ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN

Assets/Income components	Depreciation (a)	Impairment adjustments (b)	Net profit / writebacks (c)	Net profit (loss) (a + b – c)
A. Property, plant and equipment:				
A.1 Owned	(32,154)	(8)	-	-
- Operating assets	(31,356)	-	-	-
- Investment property	(798)	(8)	-	-
A.2 Acquired under finance leases	(1)	-	-	-
- Operating assets	(1)	-	-	-
- Investment property	-	-	-	-
Total	**(32,155)**	**(8)**	**-**	**-**

Section 14 – Net adjustments of/recoveries on intangible assets – Item 210

14.1 NET VALUE ADJUSTMENTS OF INTANGIBLE ASSETS: BREAKDOWN

Assets/Income components	Amortization (a)	Impairment losses (b)	Recoveries/ Writebacks (c)	Net profit (loss) (a + b – c)
A. Intangible assets				
A.1 Owned	(71,877)	-	-	(71,877)
- Internally generated	(3,253)	-	-	(3,253)
- Other	(68,624)	-	-	(68,624)
A.2 Acquired under finance leases	-	-	-	-
Total	**(71,877)**	**-**	**-**	**(71,877)**

Section 15 – Other operating expenses and income – Item 220

15.1 OTHER OPERATING EXPENSES: BREAKDOWN

Type of expense/Values	31.12.2017	31.12.2016
Expenses for finance lease transactions	(6,851)	(6,495)
Currency/monetary adjustments	-	-
Integration and reorganization expenses	-	-
Amortization of expenditure for leasehold improvements	(10,071)	(9,902)
Other expenses	(14,924)	(8,100)
Consolidation adjustments	-	-
Total	**(31,846)**	**(24,497)**

15.2 OTHER OPERATING INCOME: BREAKDOWN

Type of expense/Values	31.12.2017	31.12.2016
Rental income and recovery of expenses on real estate	1,535	870
Income from finance lease contracts	1,604	3,129
Recovery of rental expenses	-	-
Recovery of taxes and levies	89,369	91,915
Recovery of insurance costs	164,865	166,234
Recovery of other expenses	11,213	11,928
Service recovery	1,800	1,453
Other income	38,301	35,945
Negative consolidation difference (Badwill)	493,569	-
Total	**802,256**	**311,474**

The “Negative consolidation difference (Badwill)” item is exhaustively reported in Part G of this Note to the financial statements.

Section 16 – Profits (losses) on equity investments – Item 240

16.1 PROFITS (LOSSES) ON EQUITY INVESTMENTS: BREAKDOWN

Income components/Sectors	31.12.2017	31.12.2016
1) Joint arrangements		
A. Income	8,091	9,786
1. Writebacks	-	-
2. Profits on disposal	-	65
3. Writebacks	-	-
4. Other income	8,091	9,721
B. Expenses	-	(20)
1. Writedowns	-	-
2. Losses on impairment	-	(20)
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit (loss)	**8,091**	**9,766**
2) Investees subject to significant influence		
A. Income	-	-
1. Revaluations	-	-
2. Profits on disposal	-	-
3. Writebacks	-	-
4. Other income	-	-
B. Expenses	(43)	-
1. Writedowns	-	-
2. Losses on impairment	-	-
3. Losses on disposal	-	-
4. Other expenses	(43)	-
Net profit (loss)	**(43)**	**-**
Total	**8,048**	**9,766**

Section 18 – Impairment on goodwill – Item 260

18.1 IMPAIRMENT ON GOODWILL: BREAKDOWN

In 2017, 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: BREAKDOWN

Income components/Sectors	31.12.2017	31.12.2016
A. Real estate	406	76
- Profits on disposal	435	76
- Losses on disposal	(29)	-
B. Other assets	(55)	(320)
- Profits on disposal	2	18
- Losses on disposal	(57)	(338)
Net profit (loss)	**351**	**(244)**

Section 20 – Taxes on income from continuing operations: – Item 290

20.1 TAXES ON INCOME FROM CONTINUING OPERATIONS: BREAKDOWN

Income components/Sectors		31.12.2017	31.12.2016
1,	Current taxes (-)	(57,717)	(74,946)
2.	Changes in current taxes for previous years (+/-)	(50)	45
3.	Reduction in current taxes for the year (+)	3,746	2,286
3.bis	Reduction in current taxes for the year for tax receivables pursuant to Law No. 214/2011 (+)	1,812	737
4.	Change in deferred tax assets (+/-)	(59,343)	(38,014)
5.	Change in deferred tax liabilities (+/-)	6,549	607
6.	Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(105,003)	(109,285)

Current and deferred taxes came to Euro 105 million, decreasing by approximately Euro 4.2 million vs. the previous year.

In the reporting year, the acquisition of the three aforementioned Banks (Carim, Carismi and Caricesena) determined, among other things, the recognition of badwill amounting to approximately Euro 493 million, regarding which no current taxes and no deferred tax liabilities, in accordance also with Article 172 of the Italian Consolidated Act on Income Taxes (TUIR).

Net of this acquisition, in percentage terms, the tax burden for 2017 would come to 33.51% in line with the previous year.

20.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED

	31.12.2017
Net profit before taxes on continuing operations	806,883
Net profit on discontinued operations (before taxes)	-
Theoretical taxable income	806,883

	31.12.2017
Income tax – Theoretical tax liability	-221,893
- effect of expenses that are fully or partially non-deductible and income that is fully or partially non-taxable	13,427
- consolidation effect	-12,393
- badwill effect generated by the acquisition of the three Banks (Carim, Carismi and Caricesena)	135,731
Income tax – actual tax liability	-85,127
- 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	-
- reversal of deferred tax liabilities for previous years to be recognized in equity	-
- effect of deduction and tax receivables	734
IRAP – Theoretical tax liability	-44,096
- effect of income/expenses that do not contribute to the taxable base	-71,518
- effect of other changes	70,485
- consolidation effect	-2,391
- badwill effect generated by the acquisition of the three Banks (Carim, Carismi and Caricesena)	26,973
- effect of change in the average tax rate	-63
IRAP – Actual tax liability	-20,610
Other taxes	-
Actual tax liability recognized	(105,003)

Section 22 – Net profit (loss) for the year attributable to Minority Interest – Item 330

22.1 BREAKDOWN OF ITEM 330 “NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO MINORITY SHAREHOLDERS”

Breakdown of the “Net profit (loss) for the year attributable to Minority Interest” item	31.12.2017	31.12.2016
1. Crédit Agricole FriulAdria S.p.A.	8,408	6,949
2. Crédit Agricole Carispezia S.p.A.	5,594	4,314
3. Crédit Agricole Leasing S.r.l.	(1,153)	(419)
4. Crédit Agricole Group Solutions S.c.p.A.	-	-
5. Cassa di Risparmio di Cesena	(185)	-
6. Cassa di Risparmio di Rimini	(344)	-
7 Cassa di Risparmio di San Miniato	(680)	-
Other equity investments	-	-
Total	**11,640**	**10,844**

The net profit (loss) attributable to Minority Interests came to Euro 11,640 thousand and referred to Crédit Agricole FriulAdria S.p.A., Crédit Agricole Carispezia S.p.A., Crédit Agricole Leasing S.r.l., Crédit Agricole Group Solutions S.c.p.a., Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.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 934,837,845 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	701,880
	Other income components with no reversal to Income Statement			
20	Property, plant and equipment	-	-	-
30.	Intangible Assets	-	-	-
40.	Defined-benefit plans	(1,152)	358	(794)
50.	Non-current assets held for sale	-	-	-
60.	Share of Valuation Reserves on equity investments measured using the equity method	(1,170)	-	(1,170)
	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:	(3,871)	(527)	(4,398)
	a) changes in fair value	(1,279)	(11,401)	(12,680)
	b) reversals to Income Statement	(2,592)	10,874	8,282
	- impairment adjustments	30,006	405	30,411
	- profit/loss from realization	(32,598)	10,469	(22,129)
	c) other changes	-	-	-
110	Non-current assets held for sale:	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to Income Statement	-	-	-
	c) other changes	-	-	-
120	Share of Valuation Reserves on equity investments measured using the equity method	1,125	-	1,125
	a) changes in fair value	-	-	-
	b) reversals to Income Statement	-	-	-
	- adjustments on impairment	-	-	-
	- profit/loss from transfers	-	-	-
	c) other changes	1,125	-	1,125
130	Total for other income components	(5,068)	(169)	(5,237)
140	Comprehensive income (10+130)	(5,068)	(169)	696,643
150.	Consolidated comprehensive income attributable to Minority Interests	-	-	(11,448)
160	Consolidated comprehensive income attributable to the Parent Company	(5,068)	(169)	685,195

PART E – INFORMATION ON RISKS AND RELATIVE HEDGING POLICIES

SECTION 1 – THE RISKS OF THE BANKING GROUP

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 and is engaged in overall risk guidance and control, acting both as coordinator and as a commercial bank with its own distribution network.

In turn, the system set by CA 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 target market and of the guidelines issued by the French Parent Company on the Group's vocation as customer-focused proximity bank, which results in services designed to build and consolidate priority relations with local Customers, by fully understanding their specificities and enhancing their potential for development and growth, as well as by offering lines of dedicated products and services, specialist Branches throughout the geographical areas of operations, by making product specialists available to Customers and by providing training programs that involve also Trade Associations

The companies of the Group have their own risk management and control structures in compliance with the Group's guidelines, operate in their respective perimeters and benefit from the functions directly performed by CA Cariparma, when centralized.

RISK APPETITE AND CULTURE DISSEMINATION

The Crédit Agricole Italia Banking Group has set down its Risk Appetite Framework consistently with the guidelines and with the strategic plan of the Parent Company Crédit Agricole S.A.

This framework entails a set of 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, the members of which are the reference roles of all relevant corporate Departments

To be noted are the Risks and Internal Control Committee and the ALM Committee, which, within their different Risk scopes (Credit Risk, Operational Risk, Financial Risk and Compliance Risk) are responsible for designing and formalizing risk management policies, for structuring and assigning tasks and responsibilities to corporate bodies and departments, for monitoring risk trends and steering the relevant action plans, consistently with the Group's risk appetite and with the guidelines issued by the Parent Company Crédit Agricole and adopted by the Board of Directors.

Going downstream in the organization, important drivers for the dissemination of risk culture are provided by:

- the Operational Risk Manager (ORM), a key role for activity and support, within the reference perimeter, on the identification of operational risks and processing of the relevant dossiers;

- 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.

The risk management and control system shall be progressively implemented throughout the consolidation perimeter, taking account of the aforementioned business combination that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. And Cassa di Risparmio di San Miniato S.p.A.

RISK APPETITE FRAMEWORK

The Crédit Agricole Italia Banking Group has set down its Risk Appetite Framework – "RAF" at the BoD meeting held on 7 February 2017. 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 2017, 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 Risk Appetite Statement (RAS). This document reports the risk management governance process, identifying the roles of the management and control bodies within the Group for proper monitoring of risks and correct definition of the RAF; moreover, any significant qualitative and quantitative risks are reported; as regards the former, the set of of quantitative indicators of the Group is described, exhaustively reporting the logics behind the determination of the RAF thresholds, whereas, for the latter, the control mechanisms and mitigation tools implemented by the Group are described .

In 2017, the Group revised its process for the identification of material risks, based on the new system proposed by the Controlling Company Crédit Agricole; this process was performed as specified in the ICAAP document and in the Internal Control Annual Report (ICAR).

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

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 operational limits that are laid down in its Risk Strategy and have become an integral part of the RAF. These indicators allow better classification and monitoring of the risks taken, ensuring pervasiveness of the RAF model .

Finally, in 2017, within the RAF ordinary operation, 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 RAF and with the risk management policy at the Group level.

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

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

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

As at 31 December 2017, the Group's primary ratios/indicators were found consistent with the Risk Appetite set by the Group.

Finally, the model for management and governance of the Risk Appetite Framework shall be progressively implemented throughout the consolidation perimeter, taking account of the aforementioned business combination that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. And Cassa di Risparmio di San Miniato S.p.A.

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 with its 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 CA.s.a. guidelines:

Control type	Control level		Structures involved	Control frequency
Permanent Control	1st Degree		Employees, Information Systems, involved in the start-up or validation of the transaction	Constant
	2nd Degree	1st Level	Employees other than those that started the transaction	
		2nd Level	– Central Compliance Department – Risk Management and Permanent Controls Department – 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:
- First-degree controls: carried out at inception of any transaction and during its validation, by the staff of the Organizational Unit where the transaction started or by the automated systems processing transactions;
- 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 audits of all activities (including permanent control and non-compliance control) by the Internal Audit Department, including both remote and on-site audits 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 risk mapping;
- The implementation of the procedures to classify operating activities, decision-making powers and controls;
- The exercise of permanent controls at the different degrees and levels provided for, monitoring correct implementation of the procedures and detection of any early warnings and non-performing instances;
- The exercise of periodic control by the Internal Audit Department;
- The implementation of a specific system for reporting to the corporate bodies and the top management engaged in governance and control functions.

The configuration of the internal control 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 internal controls system shall be progressively implemented throughout the consolidation perimeter, taking account of the aforementioned business combination that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A.

THE RISK MANAGEMENT AND PERMANENT CONTROLS FUNCTION

In 2017 the Risk Management and Permanent Controls Department was engaged in the main projects listed below:

- The upgrading of the structure for IT Risk Governance with full implementation of the guidelines of the Crédit Agricole S.A. Group and setting up of the Quarterly Control Framework/Dashboard (Quadro di Controllo – QdC);
- The starting of the new system for assigning Group ratings to Large- Corporate counterparties;
- Support to the activities aimed at ensuring full application of and compliance with IFRS9;
- Full implementation of the control system as regards the Volker Rule;
- Activities concerning correct development of ECB audits and of the Due Diligence in preparation for the acquisition of Cassa di Risparmio di Cesena S.p.A, Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A.

In 2018, the main projects will concern:

- Support to the migration on the Group's systems of the three Banks acquired at the end of 2017 and extension of the risk management and control system to the three new Banks
- Continuation of the projects to ensure the upgrading of the tools and processes regarding the rating of Corporate and Retail counterparties;
- Full operation of the National Calculation Center for validation of the rating of Corporate counterparties;
- Starting of a specific control on the Group's upgrading to MIFID2;
- Completion, in agreement with the French Parent Company, of the applications for full integration of IFRS9;
- Control on the main IT projects, such as PSD2 and GDPR.

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 Crédit Agricole Cariparma and for its solid-line reporting to the Internal Audit Department of the Parent Company Crédit Agricole S.A.

The Internal Audit Department

- Assesses, based on a forward-looking plan, whether the overall internal controls system operates effectively and whether it is fit to ensure:
  - The effectiveness and efficiency of the corporate processes as implemented;
  - The protection of the value of Group's assets;
  - Protection from losses;
  - The reliability and integrity of accounting and management data;
  - Compliance of operations with both the policies set down by the corporate governance bodies and with all applicable internal and external regulations;
- Performs periodic review and controls on the processes and on the organizational units of all the Companies of the Crédit Agricole Italia Banking Group, as well as on Outsourced 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.
- 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, to the Annual Report and Consolidated Financial Statements and to 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 boos and with the accounts;
- That the above Reports and Financial Statements are fit to provide a true and correct representation of the financial and cash flow position, as well as of the performance of the Bank and of the Group;

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

Credit Risk

QUALITATIVE DISCLOSURES – GENERAL

ASPECTS

The 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 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, ensuring their quality and monitoring the allocation of loans in terms of sectors and sizes.
- 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 a solid and dotted line, respectively, 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 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. For all exposures entailing low amounts and included in the outsourced collection scope, the Division is responsible for steering and governing outsourced collection activities, 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 3.5Mln;
- To Customers that have lease contracts in force and show evidence of being non-performing (except for bad loans).

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 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.

Moreover, subsequent to the acquisition of the three Savings Banks of San Miniato, Rimini and Cesena, their credit structures shall report on a dotted line to the Credit Department.

MANAGEMENT, MEASUREMENT AND CONTROL

Lending policies and strategies

In 2017, the evolution of the economic scenario and of 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 laid down.

Consistently with the Bank' strategy, lending policies:

- Are based on the Probabilities of Default (PD) calculated using rating models;
- Provide for general requirements in order for mortgage loans to be granted, also to achieve appropriate risk mitigation in determining the Economic Capital;
- Lay down the 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 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.

Lending policies for Businesses, Production Chains and Public Administration Bodies pursue the objectives listed below:

- To set the credit risk management strategy on the basis of adequate differentiation in accordance with the specific creditworthiness (Customer Risk);
- To identify the positioning of each sector in terms of risk/growth prospects;
- To associate appropriate management guidelines to each sector and micro-sector, separating high-risk sectors from low-risk ones with potential opportunities for growth;

In accordance with the objectives reported above, in 2017 lending policies were revised and the new version shall apply starting from 2018. The revision has implemented:

- The consolidation of the selective criteria already in force and used by the Banks of the Group to manage credit risk: also as regards differentiation based on specific creditworthiness (customer counterparty risk), and to adapt steering strategies that are different in accordance with the specific features of their respective target Customers; the updating of the specific micro-sector of economic activity: the risk of economic sectors and micro-sectors is assessed on a yearly basis in agreement by and between the Credit Department and the Risk Management and Permanent Controls Department, with updates that are fit to detect any signs of improvement or worsening in the general economic scenario and/or in specific sectors thereof;

- Update of the specific criteria set down by the Policies specifically 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 strategic objectives of the "Policies".

Lending Policies for Individuals were also reviewed in 2017 and the new versions will be in force from the beginning of 2018; they are defined at Banking Group level and apply to Natural Persons (account holders or joint holders) that take out loans for purposes other than those relating to business activities, excluding all Customers falling in the Non-performing exposures 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 application processing and authorization of loans to Individuals uses the Rating System, which 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;
- 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, in accordance with the lending decision-making powers in force at the relevant time;
- File "to be examined in depth" (RED): a loan application that needs in-depth examination and assessment in order to obtain a documentation giving information that can show favourable creditworthiness.

With the summary rating/assessment assigned by the Decision-making System, the exercise of loan authorization powers is governed by some restrictions that shall be complied with by every lending transaction, specifically: a) the determination of monthly net income, b) financial commitments, c) debt affordability and the standard limit to the instalment/income ratio, d) the applicants' maximum age.

Moreover, the Lending policies for Individuals associate each product with different objectives, features and contents, which are deemed suitable to foster a balanced growth of Loans to worthy Customers and to mitigate credit risk in lending to risky Customers, with specific reference to setting the duration of the transaction, maximum amount of the loan and acquisitions of guarantees.

The types of products set down in Lending Policies for the Customers in the Individuals sub-segment are: 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 early warnings are detected. Based on the above requirements, in 2017 the "Lending Regulation" had to be revised. The new version shall be in force from 2018.

The "Lending Regulation" lays down the rules governing the authorization of loans to all applicants, in compliance with the regulations on corporate groups, determining the classification of transactions into risk classes and supplementing the logics that have always guided credit risk assessment and that consist of:

- A structure based on counterparty risk level, resulting from the Customer's rating and the relevant authorization decision-making powers;
- Decision-making powers that are scaled up as the customer riskiness increases.

The revision of the Regulation has consolidated the actions started in 2016 within the review of structures, tools and organizational processes in the lending perimeter – completing the document integration in a single Lending Regulation for all the Banks of the Crédit Agricole Italia Banking Group.

The updates made in 2017 concern:

a) The optimization of the authorization process for performing loans, and with periodic review and updating of decision-making powers, with their essential harmonisation for the counterpart decision-making bodies of the Banks of the Group, without prejudice to the consolidated principle of assignment of decision-making powers based on inverse proportion to the Customer riskiness, based on the counterparty rating;
b) Boosting the performances and ability to manage Non-performing Loans through:
   - Full separation of responsibilities in the lending chains, between the Authorization chain for performing loans 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 loans);
   - Consolidation of operating responsibilities and perimeter of action of the Special Loan chain, for the respective scopes and Customers;
   - Enhancement of the Credit Intelligence control operations;

All the above shall be done with the objective of 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 for each account in order to progressively reduce the cost of credit and improve the quality of the loan portfolio of the Banks of the Crédit Agricole Italia Banking Group.

The authorization process provides for the separation of the role proposing the loan application and the role deciding on its authorization: such separation ensures constant independent verification by the decision-making role of full compliance with the regulations in force at the relevant time.

In the section on Non-Performing Loans, the "Regulation" defines the features of the positions that are to be classified in these loan types and that show problems, even potential ones only, which could, if not promptly and fully solved – caused the deterioration of the quality of the risks taken by the Bank: the tool used to identify the loans belonging to this category is the Performance Monitoring Indicator.

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 showing early warnings; 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)

For every type of loan, specific powers and responsibilities have been determined, both as regards the authorization of performing loans and as regards early warnings and non-performing loans.

The evolution in the economic and market scenario, supported by an overall analysis of the progressive improvement in the credit quality of new loans vs. the Group loans portfolio, steered the actions implemented in 2017 on the processes for loan authorization and management:

- Revision of the "Lending Regulation" completing its consolidation into a single document;
- Assessments concerning the upgrades required by the new developments in the regulatory framework, especially analyses of the contents set down by the ECB in its "Guidance to banks on Non-Performing Loans", which provides for a new approach for the management and governance of the non-performing loans portfolio and for the setting of a medium-term NPL Strategy, in accordance with the Group's objectives to reduce the overall stock of non-performing loans in a given time horizon, as well as the relevant action drivers that will generate consequent impacts on the income statement and on the balance sheet;
- Further strengthening of the Outsourced Loan Collection process, aiming at improving action promptness and the efficiency of collection by the Outsourcers, in order to provide the Network with support in requesting payment to Customers that have overlimit positions;
- Assigning the task of making residential property appraisals to External Companies in order to better meet the requirements laid down by the Regulator and achieving standardization of appraisal reports ensuring adequate coverage throughout the Country;
- For better control on guarantees, changing the thresholds for statistical revaluation reduction as required to ask for a new expert appraisal;
- Fine-tuning aimed at further strengthening 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 loans);
- Full implementation of the process and tool for electronic management of Early Warnings and Non-Performing Loans, fine-tuning action prioritization as required also by the developments in the applicable legislation and regulations (Forbearance) and by further evolution in the internal management processes and strategies, in a decreasing order of importance of the detected early warnings and non-performing signs. Moreover, the information regarding Customers that are Customers of the Banks of the Crédit Agricole Italia Banking Group and of Calit has been integrated in the procedure, thus ensuring full range view of Customers' risk profile and even more effective design and triggering of the management actions required to remove early warnings and non-performing signs;
- Full operation of Credit Intelligence Controls.

These changes resulted in:

a) Further streamlining and optimization of the process for the management of Process for the Management of Early Warnings and 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 loan status, in the perimeter that does not fall within the responsibility of the Special Loan Division);
b) The possibility to display, 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, by consulting, 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, carefully 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 identified by the Management Electronic Process (PEG);
d) Important support in the management of positions, setting down and enhancing the responsibility of the Account Manager and of the higher validation Bodies, to carry out and certify 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 is subject to continuous maintenance and updating and ensures full 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.

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 collection of exposures to external collection Companies and the relevant management, providing for their earlier assignment to the collectors and changing the procedures to award fees and commissions

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 and possible changes in such information over time, with specific regard to the ability to generate cash flows that are adequate to the debt service.

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, the "Expert System" shall apply to all Business Accounts. This tool supports the account manager in the loan application processing phase and automatically provides a scoring of the quality of the customer's financial statements and suggests further analysis, in order to support the account manager for full understanding and insight of the company's income and financial situation and for any interviews with the representatives of the customer Company.

The implemented process for the monitoring and management of non-performing loans also uses methods based on the rating systems. Customers are subdivided based on risk profile 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 downgrading of counterparty risk, as well as a procedure ("PEF – Electronic Loan Application Process") 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 intervention 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 2017, the processes for the management of positions classified as Unlikely to Pay benefited from the evolutionary implementations on the EPC management platform, a procedure that is fully integrated in the information system, allowing 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 Function 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 in the Group. This Policy, which was updated in 2017 and approved by the Board of Directors of the Parent Company, defines the "guidelines" for the development and maintenance of the systems for 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 CA 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 2017 the Model Development Service worked on the main projects listed below:

- The updating of the LGD internal model for the Retail perimeter, in order to upgrade the measurement of Basel parameters to the changed and more recent macroeconomic conditions and to streamline and optimize the operation of the model currently in use;
- Estimates of the Credit Conversion Factor (CCF) model for the Retail perimeter, in order for the Banking Group to have a model that is fit for advanced measurement of Defaulted Exposures for regulatory purposes;
- The parallel commissioning of the new rating models that were approved by the Internal Validation Service and recently audited by the Group Internal Audit (IGL) Department, pending the validation to be given by the Regulator for their use;
- The updating of the risk measurement systems for the Corporate perimeter, which is still underway, based on methods and tools provided by the Parent Company Crédit Agricole S.A. Specifically, in the reporting year, subsequent to the commissioning of the new Group model (February 2017), the activities focused on the updating of the rating assignment and validation process to progressively align to the standards of the CA.sa. Group;
- 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.

In 2018, the main projects will concern:

- The completion of the estimates and commissioning of the Rating, LGD and CCF models for the Retail perimeter and the submission to the European Regulator of the application for re-validation of their use to calculate capital requirements;
- The starting of the activities to fine tune the aforementioned models in the light of the recent developments in the applicable legislation, including the new Guidelines for the estimate of PD and LGD parameters and the implementation of the new definition of default;
- The commissioning and full operation of the new rating system of the Parent Company on the Corporate perimeter, in preparation for the use of advanced methods also on this Customer perimeter;
- The contribution to the calculation of the EBA 2018 stress test. This exercise aimed at assessing the resilience of the entire Crédit Agricole Group in a baseline and in a very adverse scenario. This project, which was carried out in coordination with the French Parent Company, will involve various operating and management units of the Crédit Agricole Italia Banking Group for most of the first half 2018.
- Carrying on with the development of methods and tools for the calculation of collective writedowns in compliance with IFRS9.

The process for model development, management and updating shall be progressively implemented throughout the consolidation perimeter, taking account of the aforementioned business combination that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. And Cassa di Risparmio di San Miniato S.p.A.

Cost of credit

Also 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 (NPEs).

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.

The credit risk monitoring strategy implemented in 2017 involved essentially all channels with controls focusing on the Corporate Banking Channel (SME/Mid and Large Corporate) and on the Retail Banking Channel (especially on the Small Business and Individuals segments), as well as on Calit; also in 2017, the Real Estate portfolio was monitored with special care.

For each segment, specific indicators have been implemented, which are fit both to assess the portfolio quality performance and to prevent risks resulting from the channel specific activities (e.g. mortgage loans for Individuals or leverage loans for Large-Corporate Customers).

Moreover, the monitoring of the diversification of risk in loans was fully implemented, by controlling the limits to portfolio concentration, with different values for “Investment Grade” and “Non-Investment Grade” Counterparties. Moreover, in order to define a reference framework for Stress Test exercises on the different risk scope consistently with the guidelines issued by the Controlling Company Crédit Agricole S.A., in 2017 the Crédit Agricole Italia Banking Group put a specific policy into force (the Stress Test Policy), which was approved by the Board of Directors of Crédit Agricole Cariparma and then adopted by all the Companies of the Group.

The Policy lays down the quantitative and qualitative techniques with which the Group assesses its vulnerability to exceptional but plausible events; they consist in measuring the impacts on profit or loss, on its financial position and on regulatory aspects generated by specific events (sensitivity analysis) or by combined changes in a set of economic and financial variables in adverse scenarios (scenario analysis).

The policy lays down the stress test reference framework of the Crédit Agricole Italia Banking Group, as required by the new regulations issued by the Supervisory Authority and defines the set of stress test exercises to be carried out in the year.

In 2017 the Group carried out the stress testing activities listed below:
- Stress testing on the budget and on the MTP (*Budgetaire* Stress Test). This exercise, which operated across the various corporate divisions engaged in risk measurement and management, allowed a prospective analysis of the impact on the Income Statement main items (including the cost of credit) and on risk-weighted assets;
- The Habitat stress exercise. This exercise, which was carried out under Ca.sa. direction, aimed at assessing the Group's sensitivity to a stress applied to a perimeter including all Retail residential real estate plus unsecured and non-mortgage real estate loans (defined as “Other Retail”).

The estimated effects of the economic cycle on the PD allow future developments in Risk Weighted Assets and Expected Loss to be calculated by aggregation level, with the possibility to simulate and calculate separately the impacts in terms of changes in volumes and increase in risk.

Moreover, as reported in the section on projects, the outcomes of the stress test exercises are taken into account within the definition and management of the Risk Appetite Framework.

In addition to the activities provided for by the Policy, in 2018, the Crédit Agricole Italia Banking Group will also be engaged in the Regulatory Stress Test exercise that, under the EBA's direction, will involve most of the European Banking sector and its main evidence at Group level shall be published within the comprehensive assessment).

The objective of the exercise will be to verify the resilience of the European Bank Sector to adverse macroeconomic scenarios, which will be assessed based on a common analysis framework able to allow comparison between credit institutions otherwise not directly comparable, as well as a forward-looking analysis of the impacts on the main Income Statement variables. A new development in the exercise will by all means be the recognition of the effects of the new IFRS9 in the simulations.

The exercise will be coordinated by the Parent Company Crédit Agricole and will require the involvement of the various cross-border entities on specific scopes. Specifically, the Crédit Agricole Italia Banking Group will be asked for a contribution in determining the component regarding credit risk and net interest income. As done for the ICAAP and Budgetaire exercises, the Group will use internally developed methods and tools.

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 model for management and governance of stress test exercises shall be progressively implemented throughout the consolidation perimeter, taking account of the aforementioned business combination that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. And Cassa di Risparmio di San Miniato S.p.A.

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.

As pointed out above, 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 2017 these changes were redefined in order to achieve more and more effective monitoring.

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 lending 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 Loans	Unlikely- to-Pay	Non-performing past due exposures	Other non-performing exposures	Performing exposures	Total
1. Financial assets available for sale	186	-	-	-	5,039,300	5,039,486
2. Investments held to maturity	-	-	-	-	2,234,277	2,234,277
3. Loans to Banks	-	-	-	-	7,237,907	7,237,907
4. Loans to Customers	1,195,870	1,525,181	64,871	1,032,233	40,433,391	44,251,456
5. Financial assets designated at fair value	-	-	-	-	74	74
6. Financial assets being divested	-	-	-	-	-	-
Total (31 Dec. 2017)	**1,196,056**	**1,525,181**	**64,781**	**1,032,233**	**54,944,949**	**58,763,200**
Total (31 Dec. 2016)	**1,228,422**	**1,602,381**	**74,106**	**926,110**	**43,946,159**	**47,777,178**

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	40,544,193
2. Up to 90 days	766,571
3. From 91 to 180 days	71,266
4. From 181 to 1 year	59,290
5. More than 1 year	24,304
Total 31 Dec. 2017	**41,465,624**

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	186	-	186	5,039,300	-	5,039,300	5,039,486
2. Investments held to maturity	-	-	-	2,234,277	-	2,234,277	2,234,277
3. Loans to Banks	-	-	-	7,237,907	-	7,237,907	7,237,907
4. Loans to Customers	5,059,681	2,273,849	2,785,832	41,691,282	225,658	41,465,624	44,251,456
5. Financial assets designated at fair value	-	-	-	X	X	74	74
6. Financial assets being divested	-	-	-	-	-	-	-
Total (31 Dec. 2017)	**5,059,867**	**2,273,849**	**2,786,018**	**56,202,766**	**225,658**	**55,977,182**	**58,763,200**
Total (31 Dec. 2016)	**5,024,184**	**2,119,275**	**2,904,909**	**45,052,520**	**180,251**	**44,872,269**	**47,777,178**

All financial assets are classified by credit quality with the exception of equity securities and 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	1,740	1,090	73,128
2. Hedging derivatives	-	-	570,367
Total (31 Dec. 2017)	**1,740**	**1,090**	**643,495**
Total (31 Dec. 2016)	**1,457**	**2,318**	**838,909**

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 more than 3 months to 6 months	From more than 6 months to 1 year	Over 1 year				
A. ON-BALANCE SHEET EXPOSURES								
a) Bad loans	-	-	-	185	X	-	X	185
- 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	7,240,736	X	-	7,240,736
- of which: forborne exposures	X	X	X	X	-	X	-	-
TOTAL A	-	-	-	185	7,240,736	-	-	7,240,921
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	-	-	-	-	X	-	X	-
b) Performing	X	X	X	X	770,625	X	1	770,624
TOTAL B	-	-	-	-	770,625	-	1	770,624
TOTAL A+B	-	-	-	185	8,011,361	-	1	8,011,545

On-balance sheet exposures summarize all financial assets within business with banks as recognized in items 20 “Financial Assets held for trading”, 30 “Financial assets designated at fair value”, 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.1.4 Banking Group – On-balance sheet exposures to Banks: changes in gross non-performing exposures

Reasons/categories	Bad loans	Unlikely-to-Pay	Non-performing past due exposures
A. Opening gross exposure	-	-	-
- of which: exposures disposed of and not derecognized	-	-	-
B. Increases	**330**	-	-
B.1 from performing loans	-	-	-
B.2 transfers from other categories of non-performing exposures	-	-	-
B.3 other increases	330	-	-
C. Decreases	**145**	-	-
C.1 outflows to performing exposures	-	-	-
C.2 write-offs	-	-	-
C.3 collections	145	-	-
C.4 realization on disposals	-	-	-
B.2 losses on disposals	-	-	-
C.6 transfers to other categories of non-performing exposures	-	-	-
C.7 other decreases	-	-	-
D. Closing gross exposure	**185**	-	-
- of which: exposures disposed of and not derecognized	-	-	-

A.1.6 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 3 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 loans	240	4,949	2,915	2,941,962	X	1,754,196	X	1,195,870
- of which: forborne exposures	233	1,565	-	688,986	X	404,535	X	286,249
b) Unlikely to Pay	780,636	75,350	196,449	984,590	X	511,843	X	1,525,182
- of which: forborne exposures	612,014	45,790	136,347	564,587	X	289,045	X	1,069,693
c) Non-performing past due exposures	7,300	12,520	23,069	29,700	X	7,810	X	64,779
- of which: forborne exposures	1,671	1,330	4,269	13,539	X	1,466	X	19,343
d) Performing past due exposures	X	X	X	X	1,039,858	X	7,623	1,032,235
- of which: forborne exposures	X	X	X	X	203,023	X	2,288	200,735
e) Other performing exposures	X	X	X	X	47,922,520	X	218,035	47,704,485
- of which: forborne exposures	X	X	X	X	895,137	X	11,020	884,114
TOTAL A	**788,176**	**92,819**	**222,433**	**3,956,252**	**48,962,378**	**2,273,849**	**225,658**	**51,522,551**
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	60,985	-	-	-	X	27,012	X	33,973
b) Performing	X	X	X	X	3,347,714	X	8,261	3,339,453
TOTAL B	**60,985**	**-**	**-**	**-**	**3,347,714**	**27,012**	**8,261**	**3,373,426**
TOTAL A+B	**849,161**	**92,819**	**222,433**	**3,956,252**	**52,310,092**	**2,300,861**	**233,919**	**54,895,977**

Specifically, on-balance sheet exposures summarize all financial assets within business with customers as recognized in items 20 “Financial Assets held for trading”, 30 “Financial assets designated at fair value”, 40 “Financial assets available for sale”, 50 “Investment held to maturity” 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 370,520 thousand.

A.1.7 Banking Group – On-balance sheet exposures to Customers: changes in gross non-performing exposures

Reasons/categories	Bad loans	Unlikely-to-Pay	Non-performing past due exposures
A. Opening gross exposure	**2,919,533**	**2,022,592**	**82,057**
- of which: sold exposures not derecognized	-	-	-
B. Increases	**1,050,123**	**998,174**	**132,816**
B.1 from performing loans	14,751	285,892	103,725
B.2 transfers from other categories of non-performing exposures	406,105	97,357	5,168
B.3 other increases	629,267	614,925	23,923
C. Decreases	**1,019,590**	**983,741**	**142,282**
C.1 to performing loans	18,870	126,608	21,870
C.2 writeoffs	272,766	39,071	2,473
C.3 collections	178,855	159,495	15,736
C.4 realization on disposals	213,109	112,393	114
B.2 losses on disposals	334,037	102,351	147
C.6 transfers to other categories of non-performing exposures	1,458	408,182	98,991
C.7 other decreases	495	35,641	2,951
D. Closing gross exposure	**2,950,066**	**2,037,025**	**72,591**
- of which: sold exposures not derecognized	-	-	-

Losses on disposal referred mainly to the Fellini Banks.

A.1.7bis Banking Group – On-balance-sheet exposures to Customers: changes in gross forborne exposures broken down by credit quality

Reasons/categories	Exposures oggetto di concessioni deteriorate	Other exposures oggetto di concessioni
A. Opening gross exposure	**2,008,595**	**1,022,037**
- of which: sold exposures not derecognized	-	-
B. Increases	**619,182**	**704,383**
B.1 from non-forborne performing exposures	25,095	327,564
B.2 from forborne performing exposures	149,201	11,669
B.3 from forborne non-performing exposures	13,559	114,695
B.4 other increases	431,327	250,455
C. Decreases	**557,446**	**628,260**
C.1 to NON-forborne performing exposures	11,374	329,513
C.2 to forborne performing exposures	114,695	-
C.3 to forborne non-performing exposures	12,672	149,394
C.3 derecognition	33,235	334
C.5 collections	147,408	117,963
C.6 realization on disposal	56,780	4,944
B.2 loss on disposal	70,925	5,510
C.8 other decreases	110,357	20,602
D. Closing gross exposure	**2,070,331**	**1,098,160**
- of which: exposures disposed of and not derecognized	-	-

A.1.8 Banking Group – On-balance sheet exposures to Customers: changes in total value adjustments

Reasons/categories	Bad loans		Unlikely to Pay		Non-performing past due exposures	
	Total	of which forborne exposures	Total	of which forborne exposures	Total	of which forborne exposures
A. Opening total adjustments	**1,691,113**	**289,772**	**420,211**	**281,585**	**7,951**	**1,961**
- of which: exposures disposed of and not derecognized	-	-	-	-	-	-
B. Increases	**753,691**	**160,477**	**444,634**	**134,386**	**10,568**	**2,768**
C.2 value adjustments	207,446	89,761	138,400	72,725	5,145	1,128
B.4-bis losses on sales	49,929	718	87,582	1,393	-	-
B.2 transfers from other categories of non-performing exposures	96,444	42,306	6,237	3,151	1,343	1,182
B.3 other increases	399,872	27,692	212,415	57,117	4,080	458
C. Decreases	**690,608**	**45,714**	**353,002**	**126,926**	**10,709**	**3,263**
C.1 writebacks from valuations	47,280	7,147	49,659	33,272	836	136
C.2 writebacks from collections	83,913	1,108	9,833	12,333	202	28
C.3 gains on disposal	18,522	163	761	-	-	-
C.3 derecognition	482,067	33,198	89,005	10,962	2,437	1,518
C.5 transfers to other categories of non-performing exposures	551	434	97,236	52,992	6,238	1,544
C.6 other decreases	58,275	3,664	106,508	17,367	996	37
D. Total closing adjustments	**1,754,196**	**404,535**	**511,843**	**289,045**	**7,810**	**1,466**
- of which: exposures disposed of and 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	1,273,682	2,718,331	4,401,394	1,049,356	187,152	36,825	49,096,732	58,763,472
B. Derivatives	806	21,173	9,240	4,734	970	50	488,201	525,174
B.1 Financial Derivatives	806	21,173	9,240	4,734	970	50	488,201	525,174
B. Credit Derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	118,977	514,838	573,304	105,512	231,324	17,592	683,959	2,245,506
D. Commitments to disburse funds	9,405	227,648	240,509	29,647	3,811	2,738	705,148	1,218,906
E. Other	-	-	-	-	-	-	-	-
Total	**1,402,870**	**3,481,990**	**5,224,447**	**1,189,249**	**423,257**	**57,205**	**50,974,040**	**62,753,058**

The above breakdown by rating grades 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 Breakdown of on-balance sheet and off-balance sheet exposures by internal rating grade (book value)

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	14,303,127	12,606,901	7,305,358	3,348,251	21,199,835	58,763,472
B. Derivatives	7,266	22,086	22,658	3,107	470,057	525,174
B.1 Financial Derivatives	7,266	22,086	22,658	3,107	470,057	525,174
B.2 Credit derivatives	-	-	-	-	-	-
C. Guarantees issued	634,853	734,647	306,401	46,098	523,507	2,245,506
D. Commitments to disburse funds	271,318	307,165	268,568	111,826	260,029	1,218,906
E. Other	-	-	-	-	-	-
Total	**15,216,564**	**13,670,799**	**7,902,985**	**3,509,282**	**22,453,428**	**62,753,058**

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 administration bodies and Sovereign States, for which internal rating models are not available.

Excluding counterparties without rating, 71% of total counterparties fall within the Investment grades (from AAA to BBB-), whereas 20% falls within the BB+/BB grades and 9% in 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				
						CLN	Other derivatives								
		Real estate mortgage	Real estate – Finance leases	Securities	Other collaterals		Governments and central banks	Other public administration bodies	Banks	Other	Governments and central banks	Other public administration bodies	Banks	Other	
1. Secured on-balance-sheet exposures:	**501,020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**501,059**	**-**	**501,059**
1.1 fully secured	350,801	-	-	-	-	-	-	-	-	-	-	-	351,059	-	351,059
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	150,219	-	-	-	-	-	-	-	-	-	-	-	150,000	-	150,000
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Off-balance-sheet secured exposures:	**5,672**	**-**	**-**	**-**	**140**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,207**	**200**	**5,547**
2.1 fully secured	1,458	-	-	-	140	-	-	-	-	-	-	-	1,118	200	1,458
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	4,214	-	-	-	-	-	-	-	-	-	-	-	4,089	-	4,089
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Banking Group – Secured exposures to Customers

	Net value of exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
						Credit derivatives					Signature loans				
						CLN	Altri derivati								
		Real estate mortgage	Real estate – Finance leases	Securities	Other collaterals		Governments and central banks	Other public administration bodies	Banks	Other	Governments and central banks	Other public administration bodies	Banks	Other	
1. Secured on-balance-sheet exposures:	**34,937,426**	**23,838,545**	**983,740**	**561,858**	**1,470,675**	**-**	**-**	**-**	**-**	**-**	**204,957**	**246,060**	**3,004,937**	**3,142,985**	**33,453,757**
1.1 fully secured	31,214,497	23,579,915	743,568	488,023	854,097	-	-	-	-	-	178,898	172,013	1,629,023	2,819,280	30,464,817
- of which non-performing	2,250,831	1,734,177	64,829	3,031	16,195	-	-	-	-	-	1,850	7,292	81	281,188	2,108,643
1.2 partially secured	3,722,929	258,630	240,172	73,835	616,578	-	-	-	-	-	26,059	74,047	1,375,914	323,705	2,988,940
- of which non-performing	282,448	79,091	30,320	4,556	12,334	-	-	-	-	-	29	3,296	5,618	41,974	177,218
2. Off-balance-sheet secured exposures:	**974,182**	**267,378**	**-**	**123,571**	**145,595**	**-**	**-**	**-**	**-**	**-**	**22,832**	**95**	**8,087**	**352,316**	**919,874**
2.1 fully secured	831,112	242,718	-	109,960	126,262	-	-	-	-	-	13,900	57	1,408	335,165	829,470
- of which non-performing	12,029	417	-	164	856	-	-	-	-	-	1,647	-	-	8,740	11,824
2.2 partially secured	143,070	24,660	-	13,611	19,333	-	-	-	-	-	8,932	38	6,679	17,151	90,404
- of which non-performing	7,659	-	-	757	394	-	-	-	-	-	1,254	-	2,800	528	5,733

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 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 administration bodies			Financial companies			Insurance undertakings			Non-financial corporations			Other		
	Net exposure	Specific value adjustments	Rettifiche valore di portafoglio	Net exposure	Specific value adjustments	Rettifiche valore di portafoglio	Net exposure	Specific value adjustments	Rettifiche valore di portafoglio	Net exposure	Specific value adjustments	Rettifiche valore di portafoglio	Net exposure	Specific value adjustments	Rettifiche valore di portafoglio	Net exposure	Specific value adjustments	Rettifiche valore di portafoglio
A. On-balance-sheet exposures																		
A.1 Bad loans	1	-	X	-	-	X	3,707	12,804	X	-	24	X	876,734	1,554,568	X	315,428	186,800	X
- *of which: forborne exposures*			X			X	122	1,759	X			X	282,241	398,921	X	3,886	3,855	X
A.2 Unlikely to Pay	-	-	X	-	-	X	47,253	11,864	X	18	11	X	1,309,517	428,813	X	168,394	45,155	X
- *of which: forborne exposures*			X			X	42,573	10,262	X			X	936,190	263,005	X	90,931	15,778	X
A.3 Non-performing past-due exposures	4	1	X	-	-	X	110	27	X	5	1	X	44,434	5,190	X	20,226	2,591	X
- *of which: forborne exposures*			X			X			X			X	15,185	1,151	X	4,158	315	X
A.4 Performing exposures	7,306,609	X	-	262,870	X	602	4,430,703	X	10,668	248,756	X	-	18,262,430	X	120,598	18,225,352	X	93,790
- *of which: forborne exposures*		X		3,274	X	3	1,703	X	6		X		860,563	X	11,807	219,313	X	1,492
Total A	7,306,614	1	-	262,870	-	602	4,481,773	24,695	10,668	248,779	36	-	20,493,115	2,014,571	120,598	18,729,400	234,546	93,790
B. Off-balance-sheet exposures																		
B.1 Bad loans	-	-	X	-	-	X	330	25	X	-	-	X	9,550	6,741	X	28	5	X
B.2 Unlikely to Pay	-	-	X	-	-	X	133	23	X	10	5	X	22,537	19,749	X	348	209	X
B.3 Other non-performing exposures	-	-	X	-	-	X	-	-	X	-	-	X	1,023	252	X	14	3	X
B.4 Performing exposures	17,734	X	-	31,753	X	8	281,703	X	3,575	35,003	X	17	2,782,556	X	4,554	190,704	X	107
Total B	17,734	-	-	31,753	-	8	282,166	48	3,575	35,013	5	17	2,815,666	26,742	4,554	190,704	217	107
Total (A+B) 31.12.2017	7,324,348	1	-	294,623	-	610	4,743,939	24,743	14,243	283,792	41	17	23,308,781	2,041,313	125,151	18,920,496	234,763	93,897
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

On-balance-sheet exposures include loans and 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)

Exposure/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 loans	440,032	629,974	539,970	787,897	129,865	195,003	85,402	134,135
A.2 Unlikely to Pay	454,703	144,437	693,833	229,905	316,607	104,521	57,418	31,999
A.3 Non-performing past-due exposures	23,027	1,821	25,919	3,477	10,403	1,963	5,384	547
A.4 Performing exposures	17,095,035	74,881	15,419,065	87,785	13,742,478	50,426	2,064,351	10,402
Total	**18,012,797**	**851,113**	**16,678,787**	**1,109,064**	**14,199,353**	**351,913**	**2,212,555**	**177,083**
B. Off-balance-sheet exposures								
B.1 Bad loans	1,763	496	7,424	6,208	677	19	44	48
B.2 Unlikely to Pay	5,475	513	16,754	18,563	796	898	3	12
B.3 Other non-performing exposures	46	12	438	110	553	133	-	-
B.4 Performing exposures	1,268,717	384	1,408,628	3,787	553,958	3,939	67,654	133
Total	**1,276,001**	**1,405**	**1,433,244**	**28,668**	**555,984**	**4,989**	**67,701**	**193**
Total (A+B) 31.12.2017	**19,288,798**	**852,518**	**18,112,031**	**1,137,732**	**14,755,337**	**356,902**	**2,280,256**	**177,276**
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**

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 loans	-	-	185	-	-	-	-	-	-	-
A.2 Unlikely to Pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	5,990,083	-	1,218,363	-	3,716	-	14,829	-	13,745	-
Total	**5,990,083**	**-**	**1,218,548**	**-**	**3,716**	**-**	**14,829**	**-**	**13,745**	**-**
B. Off-balance-sheet exposures										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to Pay	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures	261,532	1	494,291	-	902	-	15,361	-	23,889	-
Total	**261,532**	**1**	**494,291**	**-**	**902**	**-**	**15,361**	**-**	**23,889**	**-**
Total (31 Dec. 2017)	**6,251,615**	**1**	**1,712,839**	**-**	**4,618**	**-**	**30,190**	**-**	**37,634**	**-**
Total (31 Dec. 2016)	**1,194,738**	**-**	**4,151,051**	**-**	**17,488**	**-**	**32,485**	**-**	**23,482**	**-**

B.4 Large risks

As at 31 December 2017, positions showing large risk features as defined in Circular No. 258/2013 (as updated) were:

- of a total nominal amount of Euro 24,234,258 thousand;
- of a total weighted amount of Euro 902,819 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 dealing with securitization

Servicer	Special-purpose entity	Assets-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 exposures	Performing assets	Non-performing assets	Performing assets	Non-performing assets	Performing assets
Cariparma	MondoMutui Cariparma S.r.l. – securitization 1	19,643	1,466,240	17,541	242,193						
Cariparma	MondoMutui Cariparma S.r.l. – securitization 2	11,456	1,563,824	8,322	180,673						

C.9. Banking Group – subsidiary special-purpose entities

As at 31 December 2017, 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 2017, the residual debt of securitized loans amounted to Euro 3,080 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 1,157 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 1,157 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 SPV with liquidity to pay the coupons, two Interest Rate Swap transactions were carried with the SPV for a notional value of Euro 1,157 million and Euro 1,157 million, respectively, with maturities on 31 January 2058 and 30 April 2060; the derivative amortization reflects the amortization of the senior security.

Subsequent to the business combination finalized in the reporting year, it is also reported that:

- Cassa di Risparmio di Cesena started a “self- securitization” transaction between April and May 2012 through the special-purpose entity Malatesta Finance S.r.l.: the securitized assets were performing home mortgage loans transferred by Cassa di Risparmio di Cesena SpA and by Banca di Romagna SpA (the Originator Banks) for a total amount of Euro 210.621 million.
- Cassa di Risparmio di San Miniato carried out two self- securitization transactions through the special-purpose entity “Carismi Finance S.r.l.”. The first transaction was carried out in 2011 transferring a pool of performing mortgage loans to the special-purpose entity, while the second one was carried out in 2014 transferring a pool of performing mortgage loans secured by voluntary mortgages on property and of unsecured loans granted to small and medium enterprises (SMEs); for both transactions, all the asset-backed securities (ABS) were subscribed by the Bank upon issue in order to allocate them with the European Central Bank for Eurosystem financing operations.

E. ASSET DISPOSAL SOLD

FINANCIAL ASSETS NOT FULLY DERECOGNIZED

QUALITATIVE DISCLOSURES

Sold financial assets not derecognized mainly consisted of securities relating to repurchase agreements; whereas financial liabilities for sold financial assets not derecognized refer to repurchase agreements for funding purposes with securities recognized as assets.

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	31.12.2017	31.12.2016
A. On-balance-sheet assets	-	-	-	-	-	-	9,629	-	-	664,287	-	-	-	-	-	-	-	-	673,916	-
1. Debt securities	-	-	-	-	-	-	9,629	-	-	664,287	-	-	-	-	-	-	-	-	673,916	-
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 Dec. 2017	-	-	-	-	-	-	9,629	-	-	664,287	-	-	-	-	-	-	-	-	673,916	-
of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 31 Dec. 2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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 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	-	-	9,670	-	-	-	9,670
a) for assets fully recognized	-	-	9,670	-	-	-	9,670
b) for assets partially recognized	-	-	-	-	-	-	-
2. Due to banks	-	-	-	-	-	-	-
a) in respect of assets fully recognized	-	-	-	-	-	-	-
b) in respect of assets partially recognized	-	-	-	-	-	-	-
3. Debt securities issued	-	-	-	-	-	-	-
a) for assets fully recognized	-	-	-	-	-	-	-
b) in respect of assets partially recognized	-	-	-	-	-	-	-
Total 31 Dec. 2017	-	-	9,670	-	-	-	9,670
Total 31 Dec. 2016	-	-	-	-	-	-	-

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 March 2017, the Parent Company made a new Covered Bond issue on the market, in a dual-tranche format. This new issue received a favourable feedback from institutional investors and the covered bonds were successfully placed for an amount of Euro 1.5 billion, thus allowing funding to be further stabilized at modest costs.

In December 2017, the Parent Company made yet another issue of Covered Bonds on the market, successfully placing Bonds on the market for Euro 0.75 billion.

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 2015, February 2016, February 2017 and November 2017 receivables, i.e.e credit claims, based on mortgage loan contracts were selected, which, as at their respective transfer date, had, by way of example and not limited to, the following common features:

- Credit claims based on mortgage 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 disbursed or purchased by the Crédit Agricole Italia Banking Group;

- Which are performing with no instalments past due for over 30 days from the 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).

Upon the fourth disposal, made on 20 February 2017, the Banks in the Cariparma Crédit Agricole Group transferred a fourth pool to Cariparma OBG S.r.l. for a total principal amount of approximately Euro 2.0 billion (the "Fourth Pool", of which Euro 1.4 billion transferred by Cariparma, Euro 0.4 billion by Banca Popolare FriulAdria and Euro 0.2 billion by Carispezia).

Upon the fifth disposal, made on 27 November 2017, the Banks of the Crédit Agricole Italia Banking Group transferred a fifth pool to Crédit Agricole OBG S.r.l. for a total principal amount of approximately Euro 1.3 billion (the "Fifth Pool", of which Euro 0.9 billion transferred by Crédit Agricole Cariparma, Euro 0.3 billion by Crédit Agricole FriulAdria and Euro 0.1 billion by Crédit Agricole Carispezia).

As at 31 December 2017, the Cover Pool consisted of receivables, i.e. credit claims, resulting from 83,464 mortgage loans, with a total residual debt of approximately Euro 7.3 billion (Euro 4.9 billion transferred by Crédit Agricole Cariparma, Euro 1.6 billion by Crédit Agricole FriulAdria and Euro 0.8 billion by Crédit Agricole Carispezia).

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, in its capacity as sub-consolidating member of the Crédit Agricole S.A. Group, the CAIBG 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 principle of intermediation.

The trading book of the CAIBG Entities 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, Pillar One capital absorption is calculated in accordance with the standardized approach.

Management and measurement of interest rate and price risks

Organisational aspects

The process for the management of market risks is regulated by the relevant risk policy. This document lays down the internal 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 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/ 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 in charge of Corporate Banking, delegating the relevant powers to the Corporate Banking Department, is the officer responsible for market risk management, and, therefore, sets down and steers the Group's mechanism for the management of Market Risk;
- The Capital Management and Middle Office Service is responsible for ex-post controls, within the Volcker Rule and LBF scope, of perfect back–to-back of the transactions entered by the Capital Market Division on behalf of Customers. In case of any anomalies, it shall report it to the concerned Service and to the RAF and Financial Risk Service.

- 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 model for management and governance of market risk shall be progressively implemented throughout the consolidation perimeter, taking account of the Fellini Transaction that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.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 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 Crédit Agricole Group as a whole. The limits being monitored for market risk have been set using common metrics, such as notional value, Mark-to-Market (MtM) value and Value at Risk (VaR). Global limits (based on the MtM) are validated by the Risk Committee (CRG) of the Crédit Agricole S.A. Group and approved by the Boards of Directors of the single entities of the Crédit Agricole Italia Banking Group. Operational limits are set based on the nominal value and, therefore are, consistently with global limits, adaptations of such global limits by type of asset, product, portfolio, and risk factors

Operational limits are specifically adjusted for each Bank of the Group and are validated by their Boards of Directors.

Control System

The monitoring of global and operational limits is a task assigned to the Risk Management and Permanent Controls Department. Reporting on compliance with the set limits is included in the monthly 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 reporting on market risks to the Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are breached, there are significant changes in markets, significant losses, etc.), the Group triggers the alert procedure, reporting the event and a remedial action plan, 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 issues opinions on the approaches used in the models for the pricing of derivatives hedging interest rate, exchange rate and commodity risks, which are sold to Customers in accordance with their needs (non-speculative purpose). These instruments, which are not traded on regulated markets (OTC), are measured with specific models that are commonly used in financial practices and are fed with input parameters (such as interest rate, exchange rate and volatility curves) observed on the market and subject to monitoring processes. The Risk Management and Permanent Controls Department is the owner of the Independent Price Verification process, in compliance with Regulation EU No. 575/2013.

Volcker Rule Local Correspondent

The Volcker Rule Local Correspondent for the Crédit Agricole Italia Banking Group is part of the Finance Department and is responsible for ensuring that the Group is always compliant with the Volcker Rule. The Volcker Rule Correspondent has the task of assessing compliance of the activities carried out with the Volcker Rule, interacting with the persons in charge of the Volcker Rule at a central level within Crédit Agricole SA.

Fair Value Option

In the Group Consolidated Financial Statements there are no items measured exercising the fair value option, except for Cassa di Risparmio di San Miniato that was acquired on 21 December 2017. As at 31 December 2017, this item came to €63 million.

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	-	-	6	-	-	5	2	-
1.1 Debt securities	-	-	6	-	-	5	2	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	6	-	-	5	2	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities	-	-	-	-	-	-	-	-
2.1 repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial Derivatives	250,847	3,423,614	1,592,107	975,405	3,393,271	672,216	82,977	-
3.1 With underlying security	-	6,480	4,770	278	314	600	438	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	6,480	4,770	278	314	600	438	-
+ long positions	-	2,885	2,443	278	314	300	219	-
+ short positions	-	3,595	2,327	-	-	300	219	-
3.2 Without underlying security	250,847	3,417,134	1,587,337	975,127	3,392,957	671,616	82,539	-
- Options	33	17,198	5,270	42,436	401,707	51,084	8,235	-
+ long positions	18	1,089	2,635	21,815	208,045	25,330	4,050	-
+ short positions	15	16,109	2,635	20,621	193,662	25,754	4,185	-
- Other	250,814	3,399,936	1,582,067	932,691	2,991,250	620,532	74,304	-
+ long positions	125,407	1,705,872	795,042	462,929	1,495,511	310,266	37,152	-
+ short positions	125,407	1,694,064	787,025	469,762	1,495,739	310,266	37,152	-

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	-	-	-	-	-	-	-	-
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	-	**292,326**	**116,409**	**117,022**	**5,473**	**372**	**450**	-
3.1 With underlying security	-	1,989	-	-	1,165	372	450	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	1,989	-	-	1,165	372	450	-
+ long positions	-	913	-	-	666	186	225	-
+ short positions	-	1,076	-	-	499	186	225	-
3.2 Without underlying security	-	290,337	116,409	117,022	4,308	-	-	-
- Options	-	292	318	428	502	-	-	-
+ long positions	-	146	159	214	251	-	-	-
+ short positions	-	146	159	214	251	-	-	-
- Other	-	290,045	116,091	116,594	3,806	-	-	-
+ long positions	-	140,803	57,070	57,969	1,903	-	-	-
+ short positions	-	149,242	59,021	58,625	1,903	-	-	-

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						Unlisted
	Country 1	Country 2	Country 3	Country 4	Country 5	Rest of the world	
A. Equity securities	32	-	-	-	-	-	33
- long positions	32	-	-	-	-	-	33
- short positions	-	-	-	-	-	-	-
B. trading of equity securities not yet settled	-	4	-	-	-	-	-
- long positions	-	2	-	-	-	-	-
- short positions	-	2	-	-	-	-	-
C. Other derivatives on equity securities	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- 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 exposures on the Banking Book; therefore, this perimeter does not include exposures on the Trading Book. Fluctuations in interest rates that would impact on the profits of the Crédit Agricole Italia Banking Group, through changes in net interest income, and that would also have an effect on the value of its capital, since they would cause a change in the net present value of future cash flows, are mitigated with hedges that are calibrated also through specific modeling of financial statement items.

Organisational aspects

The process for the management of interest rate risk and price risk regarding the Banking Book of the Entities belonging to the Crédit Agricole Italia Banking Group 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 proper application of the standards and methods for measuring the exposure to interest rate risk, of examining the reporting produced by the Finance Department, as well as to resolve on any measures to be implemented;
- the Risk Management Committee with the task of examining the outcomes of controls on compliance with the RAF and Risk Strategy limits and alert thresholds, as well as any alert procedures that started.

The CFO is responsible for the management and measurement of Interest Rate Risk for the Group as a whole. Through the Finance Department, the CFO sets the methods for managing interest risk in compliance with the applicable regulations and with the methodological indications provided by the Crédit Agricole Group. The CFO designs operational actions, carries out stress testing exercises based on the guidelines issued by the Crédit Agricole Group and prepares the ICAAP report to be sent to the Controlling Company Crédit Agricole S.A. and to the Regulator.

The Risk Management and Permanent Controls Department is responsible for control. Therefore, it verifies the corporate risk management process and supervises compliance of the risk treatment with the applicable legislation in force and with the Group Risk Strategy. 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 Parent Company Crédit Agricole S.A. 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 risk and price risk 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:

- Principles, objectives, methodologies and tools used for the measurement, control and management of risks;

- Guidelines and rules on which the risk management and stress testing processes are based.

The management of interest rate risk as designed by the Group aims at ensuring that the single legal entities and the Group as a whole achieve the maximum possible income from the existing positions through proactive management of interest risk hedges. The main financial instruments for the management of interest risk hedges are interest rate derivatives.

The policy for the management of the Banking Book aims mainly at holding 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 the value of 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.

The model for management and governance of interest rate risk and of the banking book shall be progressively implemented throughout the consolidation perimeter, taking account of the Fellini Transaction that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.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 internal model of Crédit Agricole S.A. Specifically, within the scope of its tasks, the Risk Management and Permanent Controls Department:

- Independently verifies compliance with the limits and alter thresholds provided for by the RAF and by the Risk Strategy;
- Expresses an ex-ante opinion in case of any changes regarding the methods adopted by the Finance Department, while reporting on it to the ALM Committee and to the Risk and Internal Control Committee;
- Submits the outcomes of its verifications to the Controlling Company on a monthly basis and, in case of breach of any one of the limits set down in the Risk Strategy, it triggers the Alert Procedure and analyzes and approved the Action Plan proposed by the corporate structures concerned;
- Reports to the Boards of Directors of the single Banks of the Group and to the Risk and Internal Control Committee on any breached limits, problems arisen and compliance with the limits set in the Risk Strategy.

The Risk Management and Permanent Controls Department is responsible for control of compliance with the set limits (global, operational and alert thresholds); therefore, on a monthly basis, it prepares and sends its Financial Risk Report to the Corporate Bodies, which provides information on the control outcomes and on any breaches of limits, and activates, where required, the appropriate alert procedures. On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to the Boards of Directors of each one of the Entities of the Crédit Agricole Italia Banking Group.

Risk measurement: methodological aspects

The model for the measurement of global interest rate risk provides for an analysis of the contractual profile (cash flow generation by maturity), of all balance-sheet items and, where appropriate, for the "modeling" of any and all items that, although not featuring such profile, in terms of asset stability and responsiveness to changes in market interest rates, are among the items that are sensitive to interest rate risk for the Banks of the Group.

Specifically, for interest rate risk analysis, the following elements are identified:

- Term loans (fixed-rate and floating-rate);
- Balance-sheet items modelled in accordance with Crédit Agricole S.A. methodological guidelines;
- Balance-sheet items modelled in accordance with an internal statistical analysis aimed at identifying the stable part as to volume and rate over time.

Balance-sheet items contribute to the determination of the "cumulative gap".

In line with the instructions issued by Crédit Agricole S.A., a set of limits for such gap has been defined, where the limits represent the maximum acceptable level of interest rate risk for the Group. These limits are determined based on the calculation of a series of risk indicators that measure the impact of a change in interest rates on own funds.

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 operations are performed in compliance with the management and strategic directions set by the Top Management.

Consistently with the guidelines issued by the Crédit Agricole S.A. Group, the limit system consists of global limits, operational limits and alert thresholds (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 for the Banking Book stress testing.

Operational limits have the same structure and are then adapted to each single Bank. 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), as have the mortgage loans with cap to Customers (macro-hedging), government securities in reserves (asset-swap hedging) and fixed-rate gaps detected by the internal model, 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 IASs, the effectiveness of the hedges is assessed by the Finance Department, which carries out the relevant tests on a monthly basis and keeps formal documentation for every hedge.

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 (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 non-centrally cleared OTC, i.e. 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, in 2017, the following regulatory requirements entered into force:
- Obligation of exchange of collateral (pursuant to Article 11, paragraph 3 of EMIR);
- New methods and procedures for reporting to the repository.

The regulatory requirements for exchange of collateral (the so-called margin requirements or margin rules) have been specified in Commission Delegated Regulation (EU) 2016/2251, which was published in the Official Journal of the European Union on 15 December 2016 and entered into force on 4 January 2017; this Delegated Regulation lays down, for financial counterparties and non-financial counterparties above the clearing threshold, variation margin (VM) and initial margin (IM) requirements for non-centrally cleared OTC derivatives.

OTC derivative contracts that are subject to obligations of VM and IM exchange are new non-centrally cleared OTC derivative contracts executed on or after the date of entry into force of such obligations, which are different in accordance with the aggregate average notional amount of non-centrally cleared OTC derivatives that the counterparties to the contract have, calculated for the Group as a whole.

In order to ensure compliance with the regulatory requirements, the Crédit Agricole Italia Banking Group has implemented a framework for the management and monitoring of margin requirements.

In this regard, with specific reference to intragroup transactions, it is worth pointing out:
- For intragroup transactions between two Italian counterparties, the obligations of exchange of collateral do not apply, since the analyses carried out have confirmed that there is no "current or foreseen practical or legal impediment to the prompt transfer of own funds or repayment of liabilities between counterparties" (see Article 11(5) of EMIR);
- As regards intragroup transactions with the associate Crédit Agricole Corporate & Investment Bank (CACIB), the Supervisory Authorities have granted exemption from the obligation of exchange of collateral for transactions in interest rate and exchange rate OTC derivatives made by and between Crédit Agricole Cariparma/Crédit Agricole FriulAdria/Crédit Agricole Carispezia and CACIB (with Measure No. 853106/17 issued by the Bank of Italy on 4 July 2017 and Measure No. D-17-03352 issued by the Autorité de contrôle prudentiel et de résolution – ACPR on 27 June 2017).

Finally, as regards the reporting obligation, on 21 January 2017, Delegated Regulation (EU) 2017/104 and Implementing Regulation (EU) 2017/105 were published in the Official Journal of the European Union and, among other things, lay down changes to the information and to the data formats to be reported to the trade repository.

The new rules entered into force on 1 November 2017 and were immediately implemented in the reporting procedures used by the Group.

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	**13,328,794**	**25,712,891**	**1,826,594**	**1,755,657**	**7,531,769**	**3,773,345**	**4,317,600**	**154,349**
1.1 Debt securities	8,632	305,245	525,322	285,886	4,386,966	1,775,159	180	154,349
- with early repayment option	-	1,950	-	518	1,037	73	178	-
- other	8,632	303,295	525,322	285,368	4,385,929	1,775,086	2	154,349
1.2 Loans to banks	708,727	6,291,090	3,928	19,606	9,860	-	-	-
1.3 Loans to customers	12,611,435	19,116,556	1,297,344	1,450,165	3,134,943	1,998,186	4,317,420	-
- c/a	1,551,172	469,635	41,340	253,492	182,601	33,599	962,224	-
- Other loans	11,060,263	18,646,921	1,256,004	1,196,673	2,952,342	1,964,587	3,355,196	-
- with early repayment option	2,656,256	647,132	155,235	61,285	135,027	83,728	102,085	-
- other	8,404,007	17,999,789	1,100,769	1,135,388	2,817,315	1,880,859	3,253,111	-
2. On-balance-sheet liabilities	**35,777,821**	**2,466,077**	**1,159,225**	**1,663,257**	**7,884,192**	**3,324,967**	**4,608,871**	-
2.1 Due to customers	35,527,131	365,453	274,449	744,818	172,741	-	3,117,276	-
- c/a	33,337,834	329,184	258,341	742,072	166,536	-	3,117,276	-
- other due and payables	2,189,297	36,269	16,108	2,746	6,205	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	2,189,297	36,269	16,108	2,746	6,205	-	-	-
2.2 Due to banks	246,198	1,394,229	226,697	50,436	5,071,509	-	1	-
- c/a	31,640	-	-	-	-	-	-	-
- other due and payables	214,558	1,394,229	226,697	50,436	5,071,509	-	1	-
2.3 Debt securities	4,490	706,395	658,079	868,003	2,639,942	3,324,967	1,491,594	-
- with early repayment option	-	62,553	18,291	22,970	279,051	64	-	-
- other	4,490	643,842	639,788	845,033	2,360,891	3,324,903	1,491,594	-
2.4 Other liabilities	2	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	2	-	-	-	-	-	-	-
3. Financial Derivatives	**474,074**	**22,840,457**	**822,681**	**2,805,753**	**9,554,994**	**9,351,276**	**2,197,366**	-
3.1 With underlying security	-	468,931	25,802	23	263,118	176,180	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	468,931	25,802	23	263,118	176,180	-	-
+ long positions	-	468,758	122	23	12	-	-	-
+ short positions	-	173	25,680	-	263,106	176,180	-	-
3.2 Without underlying security	474,074	22,371,526	796,879	2,805,730	9,291,876	9,175,096	2,197,366	-
- Options	274,974	711,379	161,533	95,174	558,596	753,792	694,559	-
+ long positions	135,018	33,068	47,390	92,940	465,548	458,418	392,622	-
+ short positions	139,956	678,311	114,143	2,234	93,048	295,374	301,937	-
- Other derivatives	199,100	21,660,147	635,346	2,710,556	8,733,280	8,421,304	1,502,807	-
+ long positions	-	3,112,531	595,466	2,540,906	6,984,644	7,197,750	1,500,000	-
+ short positions	199,100	18,547,616	39,880	169,650	1,748,636	1,223,554	2,807	-
4. Other off-balance-sheet transactions	**122,221**	**77,693**	-	-	-	-	-	-
+ long positions	22,264	77,693	-	-	-	-	-	-
+ short positions	99,957	-	-	-	-	-	-	-

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	**111,452**	**219,286**	**12,608**	**7,796**	**9,576**	**11**	**7**	**-**
1.1 Debt securities	-	-	185	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	185	-	-	-	-	-
1.2 Loans to banks	86,167	115,886	-	69	1,538	-	-	-
1.3 Loans to customers	25,285	103,400	12,423	7,727	8,038	11	7	-
- c/a	14,774	7,055	1	4	-	-	-	-
- Other loans	10,511	96,345	12,422	7,723	8,038	11	7	-
- with early repayment option	63	14,992	2,550	1,323	136	-	-	-
- other	10,448	81,353	9,872	6,400	7,902	11	7	-
2. On-balance-sheet liabilities	**289,685**	**66,467**	**5,302**	**7,881**	**971**	**-**	**-**	**-**
2.1 Due to customers	289,650	4,161	869	700	-	-	-	-
- c/a	286,951	4,161	869	700	-	-	-	-
- other due and payables	2,699	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	2,699	-	-	-	-	-	-	-
2.2 Due to banks	35	62,306	4,433	7,181	971	-	-	-
- c/a	3	-	-	-	-	-	-	-
- other due and payables	32	62,306	4,433	7,181	971	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial Derivatives	**-**	**503**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	503	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	503	-	-	-	-	-	-
+ long positions	-	224	-	-	-	-	-	-
+ short positions	-	279	-	-	-	-	-	-
4. Other off-balance-sheet transactions	**5,019**	**8,850**	**730**	**-**	**-**	**-**	**-**	**-**
+ long positions	2,014	4,556	730	-	-	-	-	-
+ short positions	3,005	4,294	-	-	-	-	-	-

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. 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 that is one of the key components of the overall risk governance model implemented by the Group, consistently with the guidelines given by Crédit Agricole S.A..

Within the process for exchange 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 risk governance policies and management processes;
- The Deputy General Manager in charge of Corporate Banking, through the Capital Market Division, is responsible for risk management, and, therefore, defines and steers the Group's mechanism for the management of exchange rate risk, in compliance with the instructions and resolutions issued by the ALM Committee and by the Risk and Internal Control Committee;
- The Risk Management and Permanent Controls Department is responsible for control. It verifies the corporate risk management process and supervises compliance of the exchange rate risk treatment with the applicable legislation in force and with the Group risk strategy.

The model for management and governance of exchange rate risk shall be progressively implemented throughout the consolidation perimeter, taking account of the Fellini Transaction that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A.

The limit structure

The limit structure reflects the level of risk deemed acceptable with reference to the individual business areas and is designed to control that operations are performed in compliance with the management and strategic directions set by the Top Management.

The Group's framework system for exchange rate risk is reviewed on a yearly basis, consistently with the guidelines and the risk appetite set by the Crédit Agricole Group. Such risk appetite is structured through global limits and operational limits that are laid down by the Risk Strategy.

The global limit is set in order to ensure a controlled development of the business. It is calculated as the sum of the value in Euro of the single positions and is validated by the Risk Committee (CRG) of the Crédit

Agricole S.A. Group and approved by the Boards of Directors of CA Cariparma and of the single entities of the Group.

Operational limits are calibrated using the same method used for the global limit, are specifically adjusted for each Bank of the Group and validated by each Bank's Board of Directors.

Control System

The monitoring of global and operational limits, to be carried out on a daily basis, is a task assigned to the Risk Management and Permanent Controls Department. The outcomes of monitoring on limits are included in the monthly Report on Financial Risks. It is sent to the Group's Top Management (CFO), to the Departments engaged in exchange rate risk management (Corporate Banking Department), to the Internal Audit Department and to Crédit Agricole S.A. (Direction Risques Groupe).

A summary of this report is the basis for quarterly reporting on exchange rate risk to the Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are breached, there are significant changes in markets, significant losses, etc.), the Group triggers the alert procedure, reporting the event and a remedial action plan to the Top Management Bodies and to the Direction Risques Groupe of Crédit Agricole S.A.

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 breaching 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					
	US DOLLAR	POUND STERLING	JAPAN YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER CURRENCIES
A. Financial Assets	**256,641**	**52,206**	**8,392**	**4,174**	**23,050**	**25,680**
A.1 Debt securities	-	185	-	-	-	-
A.2 Equity securities	1,177	-	-	-	-	-
A.3 Loans to banks	122,485	50,374	7,272	3,300	7,417	20,587
A.4 Loans to customers	132,979	1,647	1,120	874	15,633	5,093
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**4,698**	**1,087**	**164**	**873**	**753**	**1,029**
C. Financial Liabilities	**267,625**	**52,544**	**8,681**	**4,217**	**15,613**	**23,287**
C.1 Due to banks	59,500	1,354	1,319	134	6,069	7,035
C.2 Due to customers	208,125	51,190	7,362	4,083	9,544	16,252
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**1,905**	**654**	**21**	**181**	**161**	**145**
E. Financial derivatives	**1,918**	**186**	**51**	**431**	**8,896**	**1,289**
- Options	-	-	-	-	-	-
+ long positions	390	357	5	-	-	17
+ short positions	390	357	5	-	-	17
- Other	1,918	186	51	431	8,896	1,289
+ long positions	219,357	3,569	357	6,046	23,316	1,219
+ short positions	221,275	3,755	408	6,477	32,212	2,508
Total assets	**481,086**	**57,219**	**8,918**	**11,093**	**47,119**	**27,945**
Total liabilities	**491,195**	**57,310**	**9,115**	**10,875**	**47,986**	**25,957**
Mismatch (+/-)	**10,109**	**91**	**197**	**218**	**867**	**1,988**

1.2.4 Derivatives

A. Financial Derivatives

A.1. Supervisory Trading Book: closing notional values

Underlying assets/Type of derivative	31.12.2017		31.12.2016	
	Over-the-Counter	Central counterparties	Over-the-Counter	Central counterparties
1. Debt securities and interest rates	**7,836,997**	**-**	**7,500,352**	**-**
a) Options	3,175,221	-	3,172,778	-
b) Swaps	4,661,776	-	4,327,574	-
c) Forward contracts	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and equity indices	**231**	**-**	**254**	**-**
a) Options	231	-	254	-
b) Swaps	-	-	-	-
c) Forward contracts	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Foreign exchange and gold	**724,082**	**-**	**546,430**	**-**
a) Options	326,886	-	205,044	-
b) Swaps	3,320	-	1,897	-
c) Forward contracts	393,876	-	339,489	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**690**	**-**	**2,537**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
Total	**8,562,000**	**-**	**8,049,573**	**-**

A.2 Banking Book: closing notional values

A.2.1 Held for Hedging

Underlying assets/Type of derivatives	31.12.2017		31.12.2016	
	Over-the-Counter	Central counterparties	Over-the-Counter	Central counterparties
1. Debt securities and interest rates	**24,108,298**	**-**	**22,905,877**	**-**
a) Options	1,775,436	-	963,024	-
b) Swaps	21,864,241	-	21,942,853	-
c) Forward contracts	468,621	-	-	-
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	**24,108,298**	**-**	**22,905,877**	**-**

A.2.2 Other derivatives

Underlying assets/Type of derivatives	31.12.2017		31.12.2016	
	Over-the-Counter	Central counterparties	Over-the-Counter	Central counterparties
1. Debt securities and interest rates	**66,777**	-	-	-
a) Options	-	-	-	-
b) Swaps	66,777	-	-	-
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	**66,777**	-	-	-

A.3 Financial derivatives: gross positive fair value – breakdown by product

Underlying assets/Type of derivatives	Positive fair value			
	31.12.2017		31.12.2016	
	Over-the-Counter	Central counterparties	Over-the-Counter	Central counterparties
A. Supervisory Trading Book	**69,887**	**-**	**91,732**	**-**
a) Options	8,126	-	8,970	-
b) Interest rate swaps	57,616	-	76,257	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward contracts	4,126	-	6,246	-
f) Futures	-	-	-	-
g) Other	19	-	259	-
B. Banking Book – hedging	**570,368**	**-**	**749,490**	**-**
a) Options	55,193	-	31,492	-
b) Interest rate swaps	513,459	-	717,998	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward contracts	1,716	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking Book – other derivatives	**4,212**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	4,212	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward contracts	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**646,467**	**-**	**841,222**	**-**

A.4 Financial derivatives: gross negative fair value – breakdown by product

Underlying assets/Type of derivatives	Negative fair value			
	31.12.2017		31.12.2016	
	Over-the-Counter	Central counterparties	Over-the-Counter	Central counterparties
A. Supervisory Trading Book	**75,820**	**-**	**103,135**	**-**
a) Options	7,189	-	8,392	-
b) Interest rate swaps	64,659	-	88,252	-
c) Cross currency swaps	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward contracts	3,954	-	6,226	-
f) Futures	-	-	-	-
g) Other	18	-	265	-
B. Banking Book – hedging	**527,675**	**-**	**748,527**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	526,868	-	748,527	-
c) Cross currency swaps	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward contracts	807	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking Book – other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward contracts	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**603,495**	**-**	**851,662**	**-**

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 administration bodies	Banks	Financial companies	Insurance undertakings	Non-financial corporations	Other parties
1) Debt securities and interest rates							
- notional value	-	895	333	205,066	-	3,294,738	416,937
- Positive fair value	-	4	-	2,435	-	55,625	310
- Negative fair value	-	-	37	56	-	2,236	1,868
- future exposure	-	-	1	939	-	22,167	226
2) Equity securities and equity indices							
- notional value	-	-	231	-	-	-	-
- Positive fair value	-	-	1,140	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	18	-	-	-	-
3) Foreign exchange and gold							
- notional value	-	-	203,470	192	-	356,145	834
- Positive fair value	-	-	2,189	2	-	3,502	40
- Negative fair value	-	-	1,866	-	-	2,293	4
- future exposure	-	-	2,111	2	-	4,009	8
4) Other assets							
- notional value	-	-	-	-	-	345	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	18	-
- future exposure	-	-	-	-	-	35	-

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 administration bodies	Banks	Financial companies	Insurance undertakings	Non-financial corporations	Other parties
1) Debt securities and interest rates							
- notional value	-	-	3,915,089	3,939	-	-	-
- Positive fair value	-	-	4,413	-	-	-	-
- Negative fair value	-	-	65,837	5	-	-	-
2) Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
3) Foreign exchange and gold							
- notional value	-	-	163,443	-	-	-	-
- Positive fair value	-	-	208	-	-	-	-
- Negative fair value	-	-	1,601	-	-	-	-
4) Other assets							
- notional value	-	-	345	-	-	-	-
- Positive fair value	-	-	19	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-

A.7 OTC financial derivatives: Banking Book: notional values, gross positive and negative fair values by counterparty – contracts not included in netting arrangements

Contracts included in netting arrangements	Governments and Central Banks	Other public administration bodies	Banks	Financial companies	Insurance undertakings	Non-financial corporations	Other parties
1) Debt securities and interest rates							
- notional value	-	-	468,621	-	-	-	-
- Positive fair value	-	-	1,716	-	-	-	-
- Negative fair value	-	-	807	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2) Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Foreign exchange and gold							
- notional value	-	-	-	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4) Other assets							
- notional value	-	-	-	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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 administration bodies	Banks	Financial companies	Insurance undertakings	Non-financial corporations	Other parties
1) Debt securities and interest rates							
- Notional value	-	-	23,702,801	3,653	-	-	-
- Positive fair value	-	-	572,864	-	-	-	-
- Negative fair value	-	-	526,430	438	-	-	-
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	**2,360,230**	**4,412,151**	**1,789,619**	**8,562,000**
A.1 Financial derivatives on debt securities and interest rates	1,740,474	4,306,904	1,789,619	7,836,997
A.2 Financial derivatives on equity securities and equity indices	-	231	-	231
A.3. Financial Derivatives on exchange rates and gold	619,066	105,016	-	724,082
B.4 Financial derivatives on other values	690	-	-	690
B. Banking book	**4,067,249**	**8,494,087**	**11,613,739**	**24,175,075**
B.1 Financial derivatives on debt securities and interest rates	4,067,249	8,494,087	11,613,739	24,175,075
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 values	-	-	-	-
Total 31 Dec. 2017	**6,427,479**	**12,906,238**	**13,403,358**	**32,737,075**
Total 31 Dec. 2016	**5,177,269**	**13,309,790**	**12,468,391**	**30,955,450**

1.3 Banking Group – liquidity risk

QUALITATIVE DISCLOSURES

General aspects, management and measurement of liquidity risk

General and organisational aspects

Liquidity risk reflects the possibility that the Group may not be able to meet its payment commitments, both expected and unexpected, without prejudicing its daily operations or its financial 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 control 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 of 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[13] and the Contingency Funding Plan.

13 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.

- The CFO, through the Finance Department, is the role responsible for management and, specifically, for the preparation of the reporting to the Bank of Italy, as well as of internal reporting on the Group's liquidity situation (Liquidity Report). The Finance Department operates in compliance with the directions given by the ALM Committee.
- The Risk Management and Permanent Controls Department is responsible of 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 Department, it is also responsible for monitoring the ratios provided for in the Contingency Funding Plan.

The process for the management of liquidity risk is governed by the relevant risk policy.

The model for management, governance and monitoring of liquidity risk shall be progressively implemented throughout the consolidation perimeter, taking account of the business combination transaction that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A.

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 key condition for achieving this objective is to constantly maintain sufficient balance between incoming and outgoing liquidity flows.

The Group's liquidity risk monitoring system considers the following factors:
- Keeping immediate liquidity, i.e. the net balance of customer sources, 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 and 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 writedowns. The Group must be able to continue business operations in a serious crisis for a time horizon of one month.

Within Short-Term Liquidity Risk monitoring, on a monthly basis the Crédit Agricole Italia Banking Group calculates its Liquidity Coverage Ratio (LCR= Stock of high quality liquid assets/Total net cash outflows in the subsequent 30 calendar days). LCR is a 30-day horizon ratio that simulates the combination of a systemic crises and an idiosyncratic one and measures the ability of the stock of liquid assets to ensure coverage of expected net cash outflows in the subsequent 30 calendar days.

In 2017, in compliance with the Basel III regulatory framework, the Banks of the Group reported their LCRs (liquidity coverage ratios) and ALMM (Additional Liquidity Monitoring Metrics) to the Supervisory Authorities on a regular basis.

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). PRS and CRS positive levels substantiate the Group's ability to support its assets during a crisis.

Moreover, 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.

These ratios and indicators have the purpose of monitoring compliance with the Group's risk appetite and are benchmarked against specific limits laid down by Crédit Agricole S.A. and approved by the Group Risk Committee, upon presentation of the Risk Strategy and then submitted to the Board of Directors of the Parent Company Crédit Agricole Cariparma for its approval.

It is reported that, in 2017, the Parent Company Crédit Agricole Cariparma carried out two Covered Bond issues on the market for a total of Euro 2.25 billion,; the Covered Bonds were fully subscribed by institutional investors. With these transactions, the Group aims at improving its liquidity profile even further, diversifying financing sources and stabilizing them on longer maturities.

In January 2018, the Group made another issue of Covered Bonds on the market for Euro 500 million with 20-year maturity. This issue has achieved very early completion of and has exceeded the funding plan for the next financial year.

The Banks of the Group have participated in the cover pool transferring receivables from mortgage loans.

In 2017, the Crédit Agricole Italia Banking Group also participated in TLTRO II for an amount of Euro 2.5 billion[14],

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 control of compliance with the set limits (global, operational and alert thresholds). On a monthly basis, it prepares and sends its Financial Risk Report to the Corporate Bodies, which provides information on the control outcomes and on any breaches of limits, and activates, where required, the appropriate alert procedures. On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to the Boards of Directors of each one of the Entities of the Crédit Agricole Italia Banking Group.

14 This amounts includes the outstanding TLTRO funding for Euro 200 million obtained by CR Cesena in March 2017

Jointly with the Finance Department, the Risk Management and Permanent Controls Department is also responsible for monitoring the ratios provided for in the Contingency Funding Plan.

DISCLOSURE

The document "Disclosure" (Basel III Third Pillar) referring to 31 December 2017 is published on the website https://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 month up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets	**3,625,634**	**473,307**	**221,933**	**677,405**	**2,117,918**	**1,730,085**	**5,125,929**	**17,987,175**	**21,279,493**	**5,517,268**
A.1 Government securities	-	-	426	-	55,350	38,877	368,655	4,156,000	2,097,773	1
A.2 Other debt securities	2,672	-	-	192	3	1,812	16,346	19,740	14,775	135,002
A.3 Units of collective investment undertakings	36,095	-	-	-	-	-	-	-	-	-
A.4 Loans	3,586,867	473,307	221,507	677,213	2,062,565	1,689,396	4,740,928	13,811,435	19,166,945	5,382,265
- banks	201,582	-	818	1,327	506,751	3,960	175,887	759,886	-	5,382,265
- customers	3,385,285	473,307	220,689	675,886	1,555,814	1,685,436	4,565,041	13,051,549	19,166,945	-
On-balance-sheet liabilities	**39,055,378**	**29,338**	**188,818**	**153,933**	**723,901**	**891,405**	**1,845,623**	**8,732,388**	**5,519,454**	**-**
B.1 Deposits and current accounts	38,722,222	12,766	17,842	75,602	309,866	259,446	801,653	188,049	-	-
- banks	241,711	-	-	39,246	41,500	-	50,695	21,508	-	-
- customers	38,480,511	12,766	17,842	36,356	268,366	259,446	750,958	166,541	-	-
B.2 Debt securities	130,473	14,206	168,119	71,847	389,781	611,588	949,639	2,734,233	4,836,775	-
B.3 Other liabilities	202,683	2,366	2,857	6,484	24,254	20,371	94,331	5,810,106	682,679	-
Off-balance-sheet transactions	**273,887**	**658,654**	**57,227**	**59,578**	**176,159**	**170,016**	**306,399**	**418,770**	**341,710**	**400**
C.1 Financial derivatives with exchange of principal	-	613,076	16,760	49,352	88,196	121,652	117,532	250,563	200,602	400
- long positions	-	539,833	10,494	25,828	46,397	61,926	59,353	2,452	301	200
- short positions	-	73,243	6,266	23,524	41,799	59,726	58,179	248,111	200,301	200
C.2 Financial derivatives without exchange of principal	136,976	4,884	3,406	10,145	87,071	40,770	182,028	143,898	135,000	-
- long positions	65,693	4,765	2,151	9,981	66,193	33,311	138,727	139,449	-	-
- short positions	71,283	119	1,255	164	20,878	7,459	43,301	4,449	135,000	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
3) Irrevocable commitments to disburse funds	117,844	40,686	37,008	2	9	4,313	36	16	-	-
- long positions	17,887	40,686	37,008	2	9	4,313	36	16	-	-
- short positions	99,957	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	19,067	8	53	79	883	3,281	6,803	24,293	6,108	-
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 month up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets	**112,051**	**19,500**	**21,922**	**117,774**	**56,834**	**12,654**	**2,244**	**14,645**	**5,826**	**309**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	309
A.3 Units of collective investment undertakings	826	-	-	-	-	-	-	-	-	-
A.4 Loans	111,225	19,500	21,922	117,774	56,834	12,654	2,244	14,645	5,826	-
- banks	88,745	17,802	8,572	87,724	1,900	-	-	1,538	-	-
- customers	22,480	1,698	13,350	30,050	54,934	12,654	2,244	13,107	5,826	-
On-balance-sheet liabilities	**294,197**	**17,792**	**13,185**	**28,394**	**16,861**	**5,339**	**5,258**	**-**	**-**	**-**
B.1 Deposits and current accounts	287,818	17,792	13,185	28,151	16,686	5,165	4,945	-	-	-
- banks	47	17,792	11,933	28,026	13,891	4,290	4,239	-	-	-
- customers	287,771	-	1,252	125	2,795	875	706	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	6,379	-	-	243	175	174	313	-	-	-
Off-balance-sheet transactions	**4,973**	**147,741**	**16,783**	**48,806**	**88,308**	**117,130**	**117,201**	**5,473**	**428**	**334**
C.1 Financial derivatives with exchange of principal	-	139,152	16,783	48,806	88,086	116,407	117,020	5,473	428	334
- long positions	-	70,209	6,327	23,405	42,144	57,228	58,182	2,820	214	167
- short positions	-	68,943	10,456	25,401	45,942	59,179	58,838	2,653	214	167
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	481	-	-	-	-	-	-	-	-
- long positions	-	240	-	-	-	-	-	-	-	-
- short positions	-	241	-	-	-	-	-	-	-	-
3) Irrevocable commitments to disburse funds	4,973	8,108	-	-	222	723	-	-	-	-
- long positions	2,014	4,054	-	-	222	723	-	-	-	-
- short positions	2,959	4,054	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	181	-	-	-
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 2017, 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 2017, the residual debt of securitized loans amounted to Euro 3,080 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 1,157 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 1,157 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 SPV with liquidity to pay the coupons, two transactions in Interest Rate Swaps were carried with the SPV for a notional value of Euro 1,157 million and Euro 1,157 million, respectively, with maturities on 31 January 2058 and 30 April 2060; the derivative amortization reflects the amortization of the senior security.

Subsequent to the business combination finalized in the reporting year, it is also reported that:
- Cassa di Risparmio di Cesena started a "self- securitization" transaction between April and May 2012 through the special-purpose entity Malatesta Finance S.r.l.: the securitized assets were performing home mortgage loans transferred by Cassa di Risparmio di Cesena SpA and by Banca di Romagna SpA (the Originator Banks) for a total amount of Euro 210.621 million.
- Cassa di Risparmio di San Miniato carried out two self- securitization transactions through the special-purpose entity "Carismi Finance S.r.l.". The first transaction was carried out in 2011 transferring a pool of performing mortgage loans to the special-purpose entity, while the second one was carried out in 2014 transferring a pool of performing mortgage loans secured by voluntary mortgages on property and of unsecured loans granted to small and medium enterprises (SMEs); for both transactions, all the asset-backed securities (ABS) were subscribed by the Bank upon issue in order to allocate them with the European Central Bank for Eurosystem financing operations.

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 (Bank of Italy's Circular No. 285/2013 as updated);
- To maintain constant full compliance of CA Cariparma, CA Carispezia and CA FriulAdria with the regulatory requirements for the use of the Traditional Standardised Approach (TSA) and of the other entities of the Group with the requirements for the use of the Basic indicator approach (BIA) to calculate their supervisory capital.

- To constantly improve the monitoring of risks and losses, in order to allow a management- oriented approach, especially in terms of risk mitigation and prevention initiatives, as well as risk culture dissemination;
- To fine-tune the permanent controls systems and to extend the coverage of the same controls within the company perimeter.

Macro-organisational aspects

Governance of the Group operational risks is the responsibility of the Risk Management and Permanent Controls Department of CA Cariparma, which implements the guidelines issued by the Risk Management Department of the Controlling Company Crédit Agricole S.A., and reports on a solid line to the latter.

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

In compliance with the supervisory regulations, the Group has formalized the roles and responsibilities of the corporate bodies and structures involved in the management of operational risks.

The governance model provides for:
- a centralized strategy for the control of operational risks;
- close connections with the activities for permanent controls;
- synergies with the Compliance Department and with the Internal Audit Department.

Risk management

The Group has adopted a model that is consistent with the guidelines issued by Crédit Agricole and governed by the central department, which works with the well-established and complementary contributions, in its operating, management and mitigation activities, of specialized roles, departments and mechanisms:
- ORM (Operational Risk Manager, Italian acronym: MRO);
- Control on Outsourced Important Operational Functions/Provision of Outsourced Essential Services (Italian acronyms FOIE/PSEE) and on Physical Security;
- PRSI (Pilote des Risques SI), in charge of monitoring and control of IT risks on the Information System and on the Business Continuity Plan (BCP or with the Italian acronym PCO);
- CISO (Chief Information Security Officer), who is responsible for the security of corporate information;
- Information Security Manager (ISM): who is responsible for the implementation and management of the Information System operational security;
- Business Continuity Manager (BCM), who is responsible for the Group's Business Continuity Plan;
- Persons in charge of Controls, within the Distribution Network structures, with the task of performing 2nd degree 1st level permanent controls;
- Structures and tools, instrumental for proper risk control and for the management of mitigation/ improvement actions, including:
  - The Risk and Internal Control 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;
- 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 one 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 owners of 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 system governed by the Compliance Department;
- implementation of the system for control and monitoring of outsourced essential services (FOIE/PSEE) and implementation of the system for control and monitoring oni:
- 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 CA 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).

Risk management oversight and shared solutions

This is the specific task of the Group Risk and Internal Control 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 the mapping of operational risks;
- Governing Business Continuity for the Crédit Agricole Italia Banking Group.
- Monitoring and, if necessary, taking action on Information and Communication Technology (ICT) Risk for the Crédit Agricole Italia Banking Group, assessing the situation based on the periodic reporting made by the PRSI (Pilote des Risques SI) and by the CISO (Chief Information Security Officer).
- Assessing the dossiers on outsourced important operational functions and essential services (FOIE/PSEE) for the Crédit Agricole Italia Banking Group;
- Managing risk transfer, with specific reference to insurance coverage.

Loss data

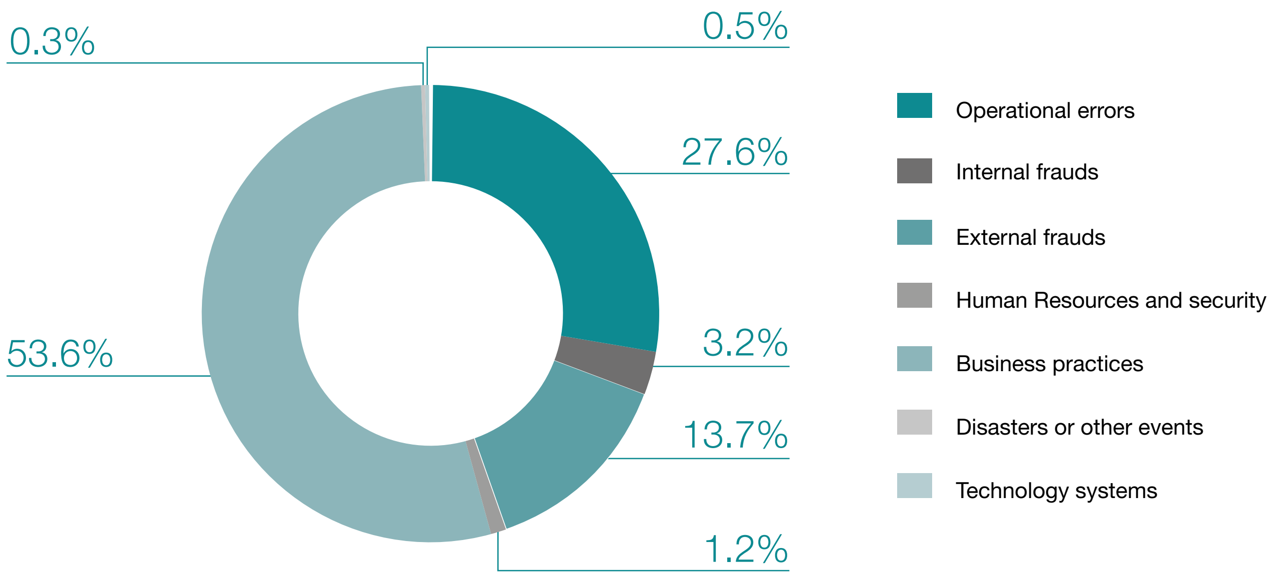
Operational losses, which the model considers as quantitative data, are collected, managed and analyzed, to different levels of granularity and detail, using an event classification scheme complying with the one set by Basel II Framework, by the Supervisory Authority and by Crédit Agricole S.A. The basic structure is as follows:

- Internal frauds: events due to deliberate acts committed by at least one party internal to the Bank and causing losses to the Bank;
- External frauds: events due to deliberate acts committed exclusively by parties that cannot be defined as internal to the Bank, generally for the purpose of personal gain;
- Relations with staff and workplace safety: events relating to the relations between the company and its staff or to the failure of the workplace to meet health and safety standards. These include liabilities arising from accidents to employees in company offices or vehicles;
- Business practices: events linked to the supply of products and provision of services to Customers carried out in an improper or negligent manner (fiduciary requirements and adequate information on investments), as well as defects in the nature or features of products/models/contracts. These include liabilities arising from breach of public security laws or other legislation not specific to the banking sector;
- Disasters or other events: events due to natural causes or human actions, which lead to damage to company resources (tangible or intangible property, persons, etc.) and/or service interruptions or other events (including improper conduct/illegal acts by third-party companies that damage the company). The category also includes liabilities arising from political changes and retroactive changes in legislation and taxation;
- Technological systems and services: losses arising from the malfunctions, logical or structural defects in technological and other support systems;
- Execution, delivery and management of processes: events arising from unintentional errors in the management of operational and support assets or caused by counterparties other than Customers and 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 collection excluding insurance-related ones) by event type recognized in 2017 is given below. Any so-called “boundary losses” have been excluded.



Information and Communication Technology (ICT) Risk

Pursuant to the regulatory provisions issued by the Bank of Italy (Circular 285/13), Information and Communication Technology (ICT) Risk is defined as the "risk of suffering losses, in terms of income, reputation and market shares, associated with the use of Information and Communication Technology (ICT) [ ]. In the integrated statement of corporate risks for prudential purposes (ICAAP), this type of risk is included, in accordance with specific aspects, among operational, reputational and strategic risks".

To analyze and assess ICT risks on its IT resources, the Crédit Agricole Italia Banking Group (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 2017, the structure for the Information and Communication Technology (ICT) Risk Governance was consolidated with full implementation of the Crédit Agricole S.A. Group's guidelines and with the assignment of roles and responsibilities.

Specifically the involved structures are:

- The **Risk Management and Permanent Controls Department** of the Crédit Agricole Italia Banking Group with the setting up within this Department of a unit to be engaged in Control of IT Risks (Information System and Information Security System – Italian acronym **PRSI**);
- The **Human Resources and Strategic Marketing Department** of the Crédit Agricole Italia Banking Group, with the Chief Information Security Officer (CISO) placed within this Department, for the Information Security System scope;
- The Head of the Security Division of **Crédit Agricole Group Solution,** who has been vested with the role of IT Security Manager (*Responsable de la Sécurité Informatique*) **RSI**
- **Crédit Agricole Group Solution** for the Information System scope (other non-Security risks).

Business Continuity Plan (Italian acronym: PCO)

In 2017, 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 2017, the main activities were:

- Full implementation of the actions to comply with the Supervisory regulations (Bank of Italy Circular No. 285/2013) as regards the technical-organizational changes occurred in the Group;
- 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 unavailability of servers or workstations (WS)" and "logic unavailability of the information system with restarting from scratch";
- 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 2017, the exercise continued as regards the specific "BCP Interfunctional Work Groups", 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 PSEE – Provisions of Outsourced Essential Services – by Crédit Agricole S.A.)

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 management and methodological support. The FOIE/PSEE control function chairs and steers the FOIE/PSEE Interfunctional Work Group.

In 2017, the most important actions concerned:

- The start of the process to revise the ""Regulation Implementing the Group Outsourcing Policy", the perimeter of which includes all types of outsourcing and which, together with the "Policy for the Outsourcing of Corporate Functions":
  - Governs the general process system, taking account also of the actual experience gained internally, as well as of the System best practices;
  - Provides for the activities and obligations for the outsourcing of Information Systems;
  - Lays 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 2017, the activities of the FOIE/PSEE specific Interfunctional Work Groups continued, mainly aiming at:

- Verifying that the requirements deemed essential are met or continue to be met for newly-outsourced or already outsourced services being reviewed;
- 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 legislation and 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).

The system for management of operational risks shall be progressively implemented throughout the consolidation perimeter, taking account of the aforementioned business combination that consisted in the acquisition of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. And Cassa di Risparmio di San Miniato S.p.A.

Validation Function activities

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 2016 and in the first six months of 2017, 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 2016 and as of 30 June 2017, showed 36 actions implemented and 1 action to be called off since the situation that had originated it no longer applied, for a total of 31 actions underway as at 30 June 2017.

The backtesting analyses carried out on Retail models as at 30 June 2017 confirmed the discriminating ability of the internal models detected on the development sample, as well as the conservative feature of the risk parameters. 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, consistently with the typical features of the counterparties included in these segments.

The use, for management purposes, of internally-estimated risk parameters was strengthened by rationalizing the system of controls on correct rating calculation during loan authorization and by fine-tuning the tools supporting the loan pricing process. Based on the results of its analyses, the Validation Service has remarked the need for:

- Updating internally-estimated risk parameters, ideally to be carried out within the process underway for model revision;
- Completing the activities provides for by the plan and intended for starting production of the new loan pricing tools.

In January 2018, the Validation Service sent its annual report on the controls performed in 2016 and in the first six months of 2017 to the Bank of Italy; this report focused specifically on the rating system used for the Retail segment.

The 2018 Validation Plan, which was submitted to the Board of Directors of Crédit Agricole Cariparma in February 2018, provides for a wide range of activities, of which the following are worth specific mentioning:

- Validation of the internal models to be used for IFRS 9 application;
- Validation of the new LGD model;
- Controls on correct execution of the 2018 EBA stress tests;
- Monitoring of the performances of 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;
- Analyses aimed at verifying full implementation of the tools for the loan pricing process;
- Monitoring of compliance with the requirements for use 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

The breakdown of consolidated equity as at 31 December 2017 is given below:

Equity items	Banking Group	Insurance undertakings	Other companies	Elisions and adjustments from consolidation	Total
Share capital	2,221,688	-	482	-1,186,976	1,035,194
Share premium reserve	4,031,329	-	-	-898,918	3,132,411
Reserves	673,639	-	-133	489,396	1,162,902
Equity instruments	365,000	-	-	-	365,000
(Treasury Shares)	-6,577	-	-	1,549	-5,028
Valuation reserves:	-	-	-	-	-
- Financial assets available for sale	40,861	-	-	-10,000	30,861
- Property, plant and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedging of investments in foreign operations	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
- Exchange rate differences	-	-	-	-	-
- Non-current assets held for sale	-	-	-	-	-
- Actuarial profits (losses) on defined-benefit pension plans	-48,924	-	-	(183)	-49,107
- Share of Valuation Reserves on investees measured using the equity method	-	-	-	-	-
- Special revaluation laws	-	-	-	-	-
Profit (loss) for the year (+/-) – attributable to Parent and Minority Interests	269,033	-	-2	432,849	701,880
Equity	**7,546,049**	**-**	**347**	**-1,172,283**	**6,374,113**

B.2 Reserves from valuation of financial assets available for sale: breakdown

Assets/Values	Banking Group		Insurance undertakings		Other companies		Elisions and adjustments from consolidation		31.12.2017	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	35,638	-2,847	-	-	-	-	-1,234	2,284	34,404	-563
2. Equity securities	10,778	-2,723	-	-	-	-	-11,134	84	-356	-2,639
3. Units of collective investment undertakings	258	-243	-	-	-	-	-	-	258	-243
4. Loans	-	-	-	-	-	-	-	-	-	-
Total 31 Dec. 2017	**46,674**	**-5,813**	-	-	-	-	**-12,368**	**2,368**	**34,306**	**-3,445**
Total 31 Dec. 2016	**42,567**	**-11,568**	-	-	-	-	**-11,174**	**84**	**31,393**	**-11,484**

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	**26,812**	**6,710**	**193**	-
2. Increases	**47,212**	**30,137**	**1,301**	-
2.1 Fair value gains	42,975	139	113	-
2.2 Reversal to Income Statement of negative reserves:	846	29,528	663	-
- for impairment	371	29,428	658	-
- for realization	475	100	5	-
2.3. Other changes	3,391	470	525	-
3. Decreases	**28,961**	**36,875**	**1,862**	-
3.1 Fair value losses	5,709	33,708	173	-
3.2 Impairment losses	-	1,463	144	-
3.3 Reversal to Income Statement of positive reserves:				
- for realization	21,417	1,168	1,450	-
3.4. Other changes	1,835	536	95	-
4. Closing Balance	**45,063**	**13,448**	**754**	-

Section 2 – Own Funds and supervisory requirements for Banks

2.1 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 2017, 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., Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A., Cassa di Risparmio di San Miniato S.p.A., Crédit Agricole Leasing S.r.l., Crédit Agricole Group Solutions S.c.p.a. and Crédit Agricole Italia OBG S.r.l.

2.2 BANK OWN FUNDS

A. QUALITATIVE DISCLOSURES

1. Common Equity Tier 1 (CET1)

The Common Equity Tier 1 of the Crédit Agricole Italia Banking Group as at 31 December 2017 consisted of high quality components (share capital, share premium reserves, other reserves, minority interests) appropriately adjusted for goodwill, other intangible assets and 80% of excess of expected losses vs. value adjustments (the so-called shortfall, referring to the advanced approach).

2. Additional Tier 1 (AT1)

The positive elements of Additional Tier 1 included the AT1 instrument amounting to Euro 200 million issued in 2016 and the AT1 instrument amounting to Euro 165 million issued in 2017; its negative elements included 10% of the shortfall and 20% of "unrealized losses" (AFS and actuarial negative reserves).

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in the rep. currency	Book value	AT1 eligible portion
Subordinated loan	29.12.2016	Perpetual	Repayment option starting from 29 Dec. 2021	3M Euribor + 804 b.p.	euro	200,000	200,000	200,000
Subordinated loan	11.12.2017	Perpetual	Repayment option starting from 11 Dec. 2022	3M Euribor + 513 b.p.	euro	165,000	165,000	165,000

3. Tier 2 (T2)

As at 31 December 2017, 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, 10% of the shortfall.

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in the rep. currency	Book value	Tier 2 eligible portion
Subordinated deposit	28.06.2017	28.06.2027	At maturity	3M Euribor + 219 b.p.	euro	250,000	250,039	250,000
Subordinated deposit	11.12.2017	11.12.2027	At maturity	3M Euribor + 162 b.p.	euro	400,000	400,288	400,000

B. QUANTITATIVE DISCLOSURES

Categories/Values OWN FUNDS	31.12.2017	31.12.2016
A. Common Equity Tier 1 – CET1 prior to the application of prudential filters	5,782,638	4,874,991
of which CET 1 instruments subject to transitional provisions	-	-
B. CET1(+/-) prudential filters	-11,612	-4,156
C. CET1 including deductible elements and the effects of the transitional regime (A+/-B)	5,771,026	4,870,673
D. Elements to be deducted from CET1	2,651,891	2,326,556
E. Transitional regime – Impact on CET1 (+/-), including minority interests subject to transitional provisions	120,836	207,988
F. Total Common Tier 1 – CET1 (C-D+/-E)	3,239,971	2,752,105
G. Additional Tier 1 – AT1 including deductible elements and the effects of the transitional regime	384,388	216,512
of which AT1 instruments subject to transitional provisions	-	-
H. Elements to be deducted from AT1	-	-
I. Transitional regime – Impact on AT1 (+/-), including instruments issued by subsidiaries/ associates and included in AT1 under transitional provisions	-60,662	-113,334
L. Total Additional Tier 1 – AT1 (G-H+/-I)	323,726	103,178
M. Tier 2 – T2 including deductible elements and the effects of the transitional provisions	685,173	462,110
of which T2 instruments subject to transitional provisions	9,630	-
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	-51,763	-100,675
P. Total Tier 2 -T2 (M-N+/-O)	633,410	361,435
Q. Total own funds (F+L+P)	4,197,107	3,216,718

2.3 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 2017, ensured full compliance with the thresholds set down by the Supervisory regulations. This performance is also the result of 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/Values	Non-weighted amounts		Weighted amounts/ requirements	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISKS	**67,471,895**	**53,725,786**	**24,665,085**	**21,397,656**
1. Standardized Approach	47,148,954	34,077,374	21,314,096	18,052,367
2. IRB approach	20,322,941	19,648,412	3,350,989	3,345,289
2.1 Foundation	-	-	-	-
2.2 Advanced	20,322,941	19,648,412	3,350,989	3,345,289
3. Securitizations	-	-	-	-
B. SUPERVISORY CAPITAL REQUIREMENTS			-	
B.1 Credit and counterparty risks			1,973,207	1,711,812
B.2 Risk of value adjustments of loans			2,534	6,988
B.3 Regulatory risk			-	-
B.4 MARKET RISKS			**712**	**157**
1. Standardized Approach			712	157
2. Internal models			-	-
3. Concentration risk			-	-
B.5 OPERATIONAL RISK			**210,876**	**211,431**
1. Basic indicator approach			5,763	5,517
2. Standardized approach			205,113	205,914
3. Advanced approach			-	-
B.6 Other measurement elements			-	-
B7. Total prudential requirements			**2,187,328**	**1,930,388**
C. EXPOSURES AND CAPITAL ADEQUACY RATIOS			-	
C.1 Risk-weighted assets			27,839,234	24,129,855
C.2 Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio)			11.6%	11.4%
C.3 Tier 1/Risk-weighted assets (Tier 1 capital ratio)			12.8%	11.8%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			15.1%	13.3%

PART G – BUSINESS COMBINATIONS

Section 1 – Business combinations made in the reporting year

1.1 BUSINESS COMBINATIONS

Name	Date of the combination (A)	Cost of the combination (B)	% shareholding (C)	Net banking income (D)	Profit/(Loss) for the year (E)	Profit/(Loss) recognized from the acquisition date (F)
1.Acquisition of Cassa di Risparmio di Cesena	21 Dec. 2017	52,963	95.30%	6,488	-104,151	-3,937
2. Acquisition of Cassa di Risparmio di Rimini	21 Dec. 2017	41,749	95.30%	-37,095	-135,901	-7,318
3.Acquisition of Cassa di Risparmio di San Miniato	21 Dec. 2017	35,287	95.30%	-23,227	-166,666	-14,463

KEY:
(A) Date of acquisition of control
(B) Cost of the combination
(C) Percentage shareholding acquired with voting rights in the ordinary general meeting of shareholders
(D) Net banking income (item 120 of the Income Statement) referring to the full financial year 2017
(E) Profit/loss made by the investee for the full financial year 2017
(F) Profit/loss made by the investee after the acquisition date and included in the consolidated profit/loss of the Crédit Agricole Italia Banking Group

On 21 December 2017 Crédit Agricole Cariparma finalized the purchase from the Voluntary Scheme of the Interbank Deposit Protection Fund of 95.3% the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A.

The three Banks becoming part of the Crédit Agricole Italia Banking Group was the final step of a wider operation within which:

- The Voluntary Scheme provided the three Banks with capital and additional equity resources thanks to which their pro-forma aggregate CET1 ratio came to over 10.7%;
- The Banks finalized the disposal of Euro 2.740 million worth of gross non-performing loans (bad loans and unlikely-to-pay) through a securitization transaction and Euro 286 million worth of gross non-performing loans (bad loans and unlikely-to-pay) through a direct disposal transaction.

The combination has been recognized by Crédit Agricole Cariparma in accordance with IFRS 3 “Business Combinations”. Indeed, the controlling equity investments acquired by Crédit Agricole Cariparma represent, in the Consolidated Financial Statements of the Crédit Agricole Italia Banking Group, three acquired “businesses” and, therefore, shall be reported as three business combinations made and to be recognized with the acquisition method provided for by IFRS 3, which includes the following steps:

- Identifying the acquirer and determining the acquisition date;
- Determining the acquisition cost (o consideration transferred);
- Allocation of the acquisition cost (the so-called Purchase Price Allocation – PPA) and recognition of the gain on bargain purchase (the so-called badwill).

Identifying the acquirer and determining the acquisition date

The IFRS 3 requires that, for every business combination made, one of the combining entities is to be identified as an “acquirer”. In a business combination made essentially by transferring cash and cash equivalents (or other assets or taking over liabilities), the acquirer is usually the entity that transfers cash or other assets or takes over liabilities.

The master agreement for the acquisition of control of the three Fellini Banks provided for the transfer of a consideration in cash amounting to Euro 130 million by Crédit Agricole Cariparma, subsequent to which the latter obtained control of 95.3% of the share capital of the three Banks. Therefore, Crédit Agricole Cariparma has been identified as the acquirer.

Another key element for recognizing a business combination is determining the acquisition date, i.e. the date on which the acquirer obtains actual control of the acquiree. Determining the acquisition date is important also because only from such date the profits or losses of the acquiree are consolidated on a line-item basis in the acquirer's financial statements. Moreover, all assets acquired and liabilities assumed are measured at acquisition-date fair value.

As regards the business combination being reported, Crédit Agricole Cariparma signed the master agreement for the acquisition of 95.3% of the share capital of each of the three Banks on 29 September 2017, upon condition that the Supervisory Authority authorized the sale, and subsequent derecognition, of a considerable portion of the NPL stock and upon other conditions that were met on 21 December 2017.

Crédit Agricole Cariparma submitted its application to the ECB for the authorization to acquire direct control of the three Fellini Banks on 2 October 2017 and obtained the ECB's authorization on 15 December 2017; the other conditions were fully met on 21 December 2017 and this is the date that has been identified as the effective date of the business combination, both in law and in fact. Indeed, before this date, Crédit Agricole Cariparma had no say in the management of the Fellini Banks and no risk/reward regarding them was transferred to Crédit Agricole Cariparma. There were no overlapping officers or directors. Therefore, the acquisition date is the date of transfer of:

- The shares of the three Fellini Banks from the Voluntary Scheme of the Interbank Deposit Protection Fund to Crédit Agricole Cariparma;
- The consideration paid for the acquisition;
- The net assets of the Fellini Banks.

Allocation of the acquisition cost (the so-called Purchase Price Allocation – PPA) and recognition of the gain on a bargain purchase

Pursuant to IFRS 3, the Purchase Price Allocation (PPA) process provides for the restatement in the acquirer's consolidated financial statements of the assets acquired and liabilities assumed at fair value as at the acquisition date.

The difference between the transferred consideration and equity restated at fair value, which is equal to the difference between assets and liabilities estimated at fair value as at the date of acquisition of control, shall be recognized as goodwill if it is positive or as income if it is negative.

Crédit Agricole Cariparma made a business combination in which the net value of the amounts, as at the acquisition date, of identifiable assets acquired and identifiable liabilities assumed measured in accordance with IFRS 3 is higher than the transferred consideration.

Even though, in accordance with IFRS 3, given the complexity of fair value measurement of assets, liabilities and contingent liabilities, the recognition of business combinations may be finally completed within twelve months of the acquisition date, in order to ensure that all measurements correctly reflect all information available on the acquisition date, the allocation process had been completed before the preparation of the financial statements as at 31 December 2017 and the PPA was finally recognized.

To prepare its consolidated financial statements as at 31 December 2017, Crédit Agricole Cariparma identified, also with the support provided by independent experts, the fair value of the assets acquired and of the liabilities and contingent liabilities assumed.

The main categories of assets, liabilities and contingent liabilities identified within the PPA process and the measurement method used are reported below:

- ***Non-Performing Loans:*** the NPL portfolio was subdivided into bad loans and unlikely-to-pay, estimating the related fair value based on values observed in comparable market transactions. Specifically, reference was made to the market prices obtained for the asset-backed securities within the securitization and sale transactions made by the 3 acquired banks on their NPL stocks before acquisition.

- ***Performing Loans:*** the fair value of the portfolio of medium/long-term corporate loans was determined discounting the expected future cash flows (therefore, risk-adjusted) at an appropriate risk-free discount rate. Specifically:
  - The cash flows were projected on a monthly basis, for each single exposure, applying a prepayment rate and adjustment for credit risk based on the specific Probability of Default (PD) and Loss Given Default (LGD) of each exposure;
  - Short-term loans to Individuals (“on demand”, i.e. with residual maturity of less than 12 months), the acquired book value is to be deemed a reasonable approximation of their fair value, in accordance with IFRS 13, considering that the discounting of future cash flows was not material, also with changes in the reference market rates.
- **Other financial instruments:** Essentially consisting of equity securities and units of collective investment undertakings, not listed on active markets pursuant to IFRS 13, the fair value of which was determined with a mark-to-model approach, using observable market inputs to the maximum possible extent and appropriate corrections in order to take account of their illiquidity.
- **Property and other capital assets:** property items were measured at fair value with the support provided by independent experts.
- **Onerous contracts:** Measurement of expenses for lease contracts higher than market fees.
- **Contingent liabilities:** the fair value of contingent liabilities not already recognized was estimated as the price that the market would ask to take the risk identified as inappropriate provision by the three Banks of investment services to their customers/shareholders (the so-called misselling).
- **Due and payables consisting of bonds issued:** fair value measurement based on a Mark-to-Model approach using, to the maximum possible extent, observable market inputs, including issuer risk aligned to the buyer risk (this measurement took separate account of senior bonds vs. subordinated loans).
- **Intangibles:** Intangible asset regarding business relations with Customers. The measurement perimeter included:
  - **Core deposits:** Current accounts and other forms of demand funding. Fair value measurement was made taking account of expected fee and commission revenues, contract costs and market costs of alternative funding sources (i.e. Interbank market),
  - **Assets Under Management:** Asset management products and other forms of Customers’ investment. Fair value measurement was made using the “excess earnings method” that provides for future fee and commission revenues, net of the related costs, to be discounted at a discount rate that takes account of the risk of reaching excess earnings and time value of money.

Pursuant to IFRS 3, as at the acquisition date, Crédit Agricole Cariparma recognized and separately measured at fair value the identifiable assets acquired and identifiable liabilities assumed, as well as minority interests in the capital of the three acquirees (the so-called minorities).

Specifically, the fair value of minorities was estimated based on the price per share applied within the share capital increases made by the Deposit Protection Fund Voluntary Scheme in the three Banks, which was adjusted in order to take account of any further commitments assumed by Crédit Agricole Cariparma towards the minorities.

The results of the activities described above are reported in the table (figures in millions of Euro):

Description (€/mln)	Cassa di Risparmio di Cesena S.p.A.			Cassa di Risparmio di Rimini S.p.A.			Cassa di Risparmio di San Miniato S.p.A.			Combined	
	Before taxes	After taxes	Taxes	Before taxes	After taxes	Taxes	Before taxes	After taxes	Taxes	Before taxes	After taxes
A. Non-performing loans	-28	-18	-10	-13	-8	-5	-12	-8	-4	-52	-35
B. Performing Loans	22	15	7	14	9	5	15	10	5	51	34
C. Other financial instruments	-4	-3	-1	-2	-1	-1	-7	-5	-2	-13	-9
D. Property and other capital assets	-14	-9	-5	-2	-1	-1	-2	-1	-1	-17	-12
E. Onerous contracts	-1	-1	0	-1	-1	0	-2	-1	-1	-4	-3
F. Contingent liabilities	-2	-1	-1	-30	-20	-10	-37	-25	-12	-69	-46
G. Bonds issued	-10	-6	-4	-5	-3	-2	-20	-13	-7	-34	-23
H.1 Intangible assets (Core deposits)	20	13	7	15	10	5	12	8	4	47	31
H.2 Intangible assets (AuM)	13	8	5	9	6	3	14	9	5	35	23
Total	**-4**	**-2**	**2**	**-15**	**-9**	**6**	**-39**	**-26**	**13**	**-56**	**-39**

The fair value measurement of identifiable assets acquired and liabilities assumed (including the identified contingent liabilities) within the three business combinations determined a negative adjustment of the book values of equity as at the acquisition date of Euro 56 million gross of tax effects (Euro 39 million net of tax effects).

Book value of equity of the three acquired banks as at 21 December 2017	**715**
Overall fair value difference (gross of tax effects)	-56
Tax effects	17
Overall fair value difference (net of of tax effects)	-39
Equity of the three acquired banks as at 21 December 2017 expressed at fair value	**676**
Price for the acquisition paid by Crédit Agricole Cariparma S.p.A.	-130
Value of minorities	-52
Gain on bargain purchase (badwill)	**494**

Based on the effects generated by fair value measurement of identifiable assets acquired and liabilities assumed, including contingent liabilities, as reported in the table above, the equity of three acquired banks expressed at fair value came to Euro 676 million.

Considering the consideration transferred of Euro 130 million and the value of minorities of Euro 52 million, the gain on bargain purchase was calculated as amounting to Euro 494 million and was recognized as a positive effects on the consolidated income statement for the year closed as at 31 December 2017 and classified in item 220 “Other operating expenses/income”.

As regards the measurement process that entailed recognition of the aforementioned badwill, it is pointed out that, pursuant to paragraph 36 of IFRS 3, in order to ensure that the measurements made correctly reflect all the information available on the acquisition date, before recognizing a gain on a bargain purchase in the Income Statement, the acquirer shall review the measurement process carried in order to assess whether it has correctly identified all of the assets acquired and all of the liabilities assumed. Complying with this requirement, Crédit Agricole Cariparma carried out a first and preliminary Purchase Price Allocation and determination of the subsequent Badwill in October 2017; afterwards, with the support given by independent experts, it reviewed the procedures implemented for the identification and fair value measurement of the assets acquired and liabilities assumed upon preparation of its consolidated financial statements as at 31 December 2017, with final recognition of the PPA.

1.2 OTHER INFORMATION ON THE BUSINESS COMBINATIONS MADE IN THE YEAR

The acquisition of the three Savings Banks was fully supported by all the shareholders that subscribed an increase in Crédit Agricole Cariparma share capital for a total of Euro 320 Mln. After such increase, Crédit Agricole Cariparma share capital is held as follows: Crédit Agricole S.A. (76.72%), Fondazione Cariparma (13.50%) and SACAM International (9.78%).

	Amounts
Issue of new shares – acquisition of 95.3% of the three Banks	320,000
of which Share Capital	58,076
of which Share Premium	261,924
Share Capital Increase	**320,000**

A breakdown of the transaction is given below:

1.2.1 Other information

The table below report the aggregate book values (assets and liabilities), as at the acquisition date 21 December 2017, of the three business combinations, as well as their fair value measurement pursuant to IFRS 3.

The aggregate book values include the DTA resulting from temporary differences linked to future profits and, therefore, non-convertible into tax credits at the envisaged conditions (so-called non qualified), for the recoverability of which the income capacity of the acquirer Crédit Agricole Cariparma in the next financial years is key, given:

- The approval on 8 February 2018, by the Boards of Directors of the Parent Company and of the three acquirees, of the merger by absorption of Cassa di Risparmio di San Miniato, Cassa di Risparmio di Cesena and Cassa di Risparmio di Rimini into Crédit Agricole Cariparma;
- The favourable outcome that can be reasonably expected of the tax ruling pursuant to Article 172 of Italian Presidential Decree No. 917/1986.

Cassa di Risparmio di Cesena

Assets	Book values	Delta fair value	Recognized values
Cash and cash equivalents	31,717		31,717
Financial assets held for trading	841		841
Financial assets available for sale	665,180	-4,000	661,180
Loans to Banks	621,135		621,135
Loans to Customers	1,761,062	-6,000	1,755,062
Hedging derivatives	162		162
Equity investments	-		-
Property, plant and equipment	150,734	-15,000	135,734
Intangible Assets	90	33,000	33,090
Tax assets	228,146	1,500	229,646
Other assets	48,634		48,634
Total assets	**3,507,701**	**9,500**	**3,517,201**

Liabilities	Book values	Delta fair value	Recognized values
Due to banks	377,236		377,236
Due to Customers	2,293,506		2,293,506
Debt securities issued	289,899	10,000	299,899
Financial liabilities held for trading	8,877		8,877
Hedging derivatives	4,276		4,276
Fair value change of financial liabilities in macro-hedge portfolios	-		-
Tax liabilities	2,015		2,015
Other liabilities	168,677		168,677
Employee severance benefits	7,967		7,967
Provisions for risks and charges	63,989	2,000	65,989
Total liabilities	**3,216,442**	**12,000**	**3,228,442**
Equity	291,259	-20,000	271,259
Badwill from the acquisition			-215,796
Total cost			**52,963**

Cassa di Risparmio di Rimini

Assets	Book values	Delta fair value	Recognized values
Cash and cash equivalents	16,040		16,040
Financial assets held for trading	416		416
Financial assets designated at fair value	99		99
Financial assets available for sale	721,828	-2,000	719,828
Loans to Banks	23,343		23,343
Loans to Customers	1,530,079	1,000	1,531,079
Hedging derivatives	-		-
Equity investments	-		-
Property, plant and equipment	134,211	-3,000	131,211
Intangible Assets	112	24,000	24,112
Tax assets	137,462	5,000	142,462
Other assets	554,493		554,493
Total assets	**3,118,083**	**25,000**	**3,143,083**

Liabilities	Book values	Delta fair value	Recognized values
Due to banks	509,408		509,408
Due to Customers	1,707,404		1,707,404
Debt securities issued	460,585	5,000	465,585
Financial liabilities held for trading	261		261
Hedging derivatives	-		-
Fair value change of financial liabilities in macro-hedge portfolios	-		-
Tax liabilities	1,656		1,656
Other liabilities	189,276		189,276
Employee severance benefits	3,141		3,141
Provisions for risks and charges	16,762	30,000	46,762
Total liabilities	**2,888,493**	**35,000**	**2,923,493**
Equity	229,590	-16,000	213,590
Badwill from the acquisition			-161,841
Total cost			**41,749**

Cassa di Risparmio di San Miniato

Assets	Book values	Delta fair value	Recognized values
Cash and cash equivalents	775,109		775,109
Financial assets held for trading	4,796		4,796
Financial assets available for sale	342,475	-7,000	335,475
Loans to Banks	46,241		46,241
Loans to Customers	1,462,077	3,000	1,465,077
Hedging derivatives	-		-
Equity investments	11,216		11,216
Property, plant and equipment	51,756	-4,000	47,756
Intangible Assets	241	26,000	26,241
Tax assets	131,011	12,197	143,208
Non-current assets held for sale and discontinued operations	98		98
Other assets	99,588		99,588
Total assets	**2,924,608**	**30,197**	**2,954,805**

Liabilities	Book values	Delta fair value	Recognized values
Due to banks	514,907		514,907
Due to Customers	1,694,805		1,694,805
Debt securities issued	257,386	20,000	277,386
Financial liabilities held for trading	-		-
Net Financial liabilities designated at fair value	68,227		68,227
Hedging derivatives	-		-
Fair value change of financial liabilities in macro-hedge portfolios	-		-
Tax liabilities	1,514		1,514
Other liabilities	173,172		173,172
Employee severance benefits	8,788		8,788
Provisions for risks and charges	11,757	37,000	48,757
Total liabilities	**2,730,556**	**57,000**	**2,719,329**
Equity	194,052	-16,030	178,022
Badwill from the acquisition			-115,932
Total cost			**35,287**

Section 2 – Business combinations made after the reporting date

No business combinations were made after the reporting date.

Section 3 – Retrospective Adjustments

No retrospective adjustments were made after the reporting date.

PART H TRANSACTIONS WITH RELATED PARTIES

The 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 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 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 General Meeting of Shareholders.

	31.12.2017
Short-term employee benefits	17,773
Benefits subsequent to severance from employment	403
Other long-term benefits	-
Employee severance benefits	202
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 reporting year, no atypical or unusual transactions were carried out having sizes or features that might jeopardize or affect 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	-	-	-	1,088,094	-	867,210	6,208
Entities exercising significant influence on the Company	-	-	-	-	23,376	-	-
Associates	-	6,458	23,300	-	14,975	-	585
Directors and Managers with strategic responsibilities	-	-	5,038	-	4,627	-	19
Other related parties	9,201	5,569	4,087,273	587,156	888,917	198,533	69,331
Total	**9,201**	**12,027**	**4,115,611**	**1,675,250**	**931,895**	**1,065,743**	**76,143**

PART I – SHARE-BASED PAYMENTS

QUALITATIVE DISCLOSURES

The Group has no agreements in place for payments based on its shares.

The share capital increase by the 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 solution (shares of Crédit Agricole S.A. with a 20% discount vs. market value) and the Multiple solution (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 is 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 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 Group, the **Other** channel is of a residual nature and includes the activities pertaining to central departments,with specific reference to governance.

On 21 December 2017 Crédit Agricole Cariparma finalized the purchase from the Voluntary Scheme of the Interbank Deposit Protection Fund of 95.3% the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A. Comparison to the 2016 figures must consider this business combination (the profit or loss figures reflect the ten days between the acquisition and the reporting date and the balance sheet figures the entire aggregate as at that date).

Income from the Retail and Private Banking channels came to Euro 1,602 million, increasing by -1.2% YOY, mainly due to the net fee and commission income component that performed well in the Wealth Management segment. Net income from trading activities decreased (down by -41.4%). The Corporate Banking channel posted total revenues coming to Euro 279 million, essentially in line with 2016 (-1.3%). The increase in fee and commission income (up by +5.2%) offset the decrease in the other income components.

As regards costs, the Retail and Private Banking channels posted a decrease (-4.5%) vs. 2016, with the decrease in impairment losses on loans more than offset higher provisions for the cost of risk. In the Corporate Banking segment, costs increased (up by +35.1%), mainly because of the considerable increase in impairment losses on loans (up by +42%).

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 2017, assets of the Retail and Private Banking channels amounted to Euro 28.9 billion, increasing vs. 31 December 2016 (up by +16.4%). The assets of the Corporate Banking channel also increased (up by 14.2%) coming to Euro 18.4 billion.

Liabilities by segment (point volumes) consisted of direct funding from Customers, which can be directly allocated to the operating segments. Within this aggregate, the Retail and Private Banking channels accounted for Euro 33.7 billion worth of funding, increasing by +20.5% vs. the previous year. The Corporate Banking channel, with a balance of Euro 10.0 billion, increased by +30.5% vs. 31 December 2016.

It is pointed out that unallocated assets and liabilities report the set of the inter-bank transactions, the issue of the covered bond, as well as other balance sheet aggregates, such as: unallocated property, plant and equipment/ intangible assets, tax assets/liabilities and specific-purpose provisions.

In accordance with IFRS 8, it is reported that the 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 2017

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	699,629	176,061	-9,467	866,223
Net fee and commission income	649,180	93,852	-8,971	734,061
Net profit (loss) on trading activities	3,881	6,054	8,545	18,480
Dividends	15	0	8,824	8,839
Other net operating income (item 90,100,190)	249,242	2,733	532,159	784,134
Total operating income	**1,601,947**	**278,700**	**531,090**	**2,411,737**
Impairment losses on loans	-90,760	-126,019	4,043	-212,736
Losses on impairment of AFS financial assets and other financial transactions	-221	68	-24,646	-24,799
Staff and administrative expenses and depreciation/amortization	-1,000,186	-67,089	-250,221	-1,317,496
Accruals to provisions for risks	-4,892	-25,524	-27,803	-58,219
Total costs	**-1,096,059**	**-218,564**	**-298,627**	**-1,613,250**
Profit (losses) on equity investments	6,808	301	939	8,048
Impairment on goodwill	0	0	0	0
Profit on disposal of investments	-1	0	350	349
Profit (loss) by segment	**512,695**	**60,437**	**233,752**	**806,884**
Unallocated operating expenses	0	0	0	0
Operating margin	0	0	0	0
Share of profit of associates attributable to the Group	0	0	0	0
Net profit before taxes	**512,695**	**60,437**	**233,752**	**806,884**
Taxes	-172,145	-20,348	87,490	-105,003
Profit for the year	**340,550**	**40,089**	**321,242**	**701,881**
Data as at 31 December 2017				
Assets and liabilities				
Assets by segment	28,928,570	18,352,536	462,047	47,743,153
Equity investments in associates	0	0	33,868	33,868
Unallocated assets	0	0	18,935,542	18,935,542
Total assets	**28,928,570**	**18,352,536**	**19,431,457**	**66,712,563**
Liabilities by segment	33,654,039	10,047,878	927,639	44,629,556
Unallocated liabilities	0	0	15,708,895	15,708,895
Total liabilities	**33,654,039**	**10,047,878**	**16,636,534**	**60,338,451**

SEGMENT REPORTING AS AT 31 DECEMBER 2016

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	751,032	184,097	-60,151	874,978
Net fee and commission income	583,393	89,200	7,944	680,537
Net profit (loss) on trading activities	6,619	6,647	3,041	16,307
Dividends	0	0	8,742	8,742
Other net operating income (item 90,100,190)	279,553	2,449	27,907	309,909
Total operating income	**1,620,597**	**282,393**	**-12,517**	**1,890,473**
Impairment losses on loans	-131,747	-88,755	-631	-221,133
Losses on impairment of AFS financial assets and other financial transactions	0	0	75	75
Staff and administrative expenses and depreciation/ 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	**-1,147,855**	**-161,722**	**-262,165**	**-1,571,742**
Profit (losses) on equity investments	9,239	463	64	9,766
Impairment on goodwill	0	0	0	0
Profit on disposal of investments	0	0	-244	-244
Profit (loss) by segment	**481,981**	**121,134**	**-274,862**	**328,253**
Unallocated operating expenses	0	0	0	0
Operating margin	0	0	0	0
Share of profit of associates attributable to the Group	0	0	0	0
Net profit before taxes	**481,981**	**121,134**	**-274,862**	**328,253**
Taxes	-171,017	-42,749	104,481	-109,285
Profit for the year	**310,964**	**78,385**	**-170,381**	**218,968**
Data as at 31 December 2016				
Assets and liabilities				
Assets by segment	24,847,802	16,074,699	100,482	41,022,983
Equity investments in associates	0	0	10	10
Unallocated assets	0	0	11,969,010	11,969,010
Total assets	**24,847,802**	**16,074,699**	**12,069,502**	**52,992,003**
Liabilities by segment	27,931,401	7,698,317	796,053	36,425,771
Unallocated liabilities	0	0	11,278,625	11,278,625
Total liabilities	**27,931,401**	**7,698,317**	**12,074,678**	**47,704,396**

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:	31.12.2017
Statutory audit of annual accounts	1,364
Certification services	123
Other services	2,200
Total	**3,687**

COUNTRY-BY-COUNTRY REPORTING

Country where the Company is headquartered: ITALY

a) Name of the companies headquartered and nature of their business

Company name	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
Cassa di Risparmio di Rimini S.p.A.	Joint-stock company operating in the sector of retail banking services, commercial banking services and retail intermediation services
Cassa di Risparmio di Cesena S.p.A.	Joint-stock company operating in the sector of retail banking services, commercial banking services and retail intermediation services
Cassa di Risparmio di San Miniato 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
Cariparma 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
Crédit Agricole Real Estate Italia S.r.l.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
Unibanca Immobiliare S.r.l.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
Carice Immobiliare S.p.A.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
San Piero Immobiliare S.p.A.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
San Giorgio Immobiliare S.p.A.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
San Genesio Immobiliare S.p.A.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
Agricola Le Cicogne S.r.l.	Private limited liability company operating in the management of land and farms, both owned and of third parties

b) Revenue

Item (thousands of Euros)	31.12.2017
Net banking income (*)	1,641,327

c) Number of employees

Item	31.12.2017
Number of employees expressed as full-time equivalents	9,755
Number of employees (*)	10,271

d) Profit or loss before taxes

Item (thousands of Euros)	31.12.2017
Profit on continuing operations before taxes (*)	806,883

e) Taxes on profit or loss

Item (thousands of Euros)	31.12.2017
Taxes on income from continuing operations (*)	-105,003

f) Public grants received

Item (thousands of Euros)	31.12.2017
Public grants	0

(*) Data source: 2017 Annual Report and Financial Statements of the Crédit Agricole Italia Banking Group

Crédit Agricole Cariparma

2017 Annual Report and Financial Statements

Financial highlights and ratios

Income Statement highlights[°] ***(thousands of Euro)***	**31.12.2017**	**31.12.2016**	**Changes**	
			Absolute	**%**
Net interest income	631,976	653,595	-21,619	-3.3
Net fee and commission income	545,238	514,940	30,298	5.9
Dividends	49,934	49,885	49	0.1
Profit (losses) on banking activities	29,799	43,370	-13,571	-31.3
Other operating income (expenses)	-13,472	3,222	-16,694	
Net operating income	1,243,475	1,265,012	-21,537	-1.7
Operating expenses	-738,211	-752,037	-13,826	-1.8
Operating margin	505,264	512,975	-7,711	-1.5
Provisions for risks and charges	-11,924	-13,717	-1,793	-13.1
Net impairments of loans	-201,555	-214,275	-12,720	-5.9
Net profit for the year	211,712	205,022	6,690	3.3

Balance Sheet highlightsi[°] ***(thousands of Euro)***	**31.12.2017**	**31.12.2016**	**Changes**	
			Absolute	**%**
Loans to Customers	29,799,716	28,915,280	884,436	3.1
Financial assets available for sale	2,634,465	4,177,226	-1,542,761	-36.9
Investments held to maturity	1,569,990	-	1,569,990	100.0
Loans to banks	2,759,378	294,973	2,464,405	
Equity investments	1,493,704	1,311,391	182,313	13.9
Property, plant and equipment and intangible assets	1,351,237	1,339,888	11,349	0.8
Total net assets	41,301,337	37,951,161	3,350,176	8.8
Funding from Customers	34,114,743	31,016,562	3,098,181	10.0
Indirect funding from Customers	47,314,187	54,900,811	-7,586,624	-13.8
of which: asset management	21,435,905	20,415,808	1,020,097	5.0
Net Financial Assets/Liabilities held for trading	5,846	10,582	-4,736	-44.8
Equity	5,511,895	4,947,634	564,261	11.4

Operating structure	**31.12.2017**	**31.12.2016**	**Changes**	
			Absolute	**%**
Number of employees	5,257	5,361	-104	-1.9
Average number of employees[§]	5,116	5,141	-25	-0.5
Number of branches	530	546	-16	-2.9

(°) Income statement and balance sheet data are those restated in the reclassified financial statements shown on pages 277 and 285

(§) 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%

Structure ratios(°)	**31.12.2017**	**31.12.2016**
Loans to customers/Total net assets	72.2%	76.2%
Direct funding from Customers/Total net assets	82.6%	81.7%
Asset management/Total indirect funding from Customers	45.3%	37.2%
Loans to Customers/ Direct funding from Customers	87.4%	93.2%
Total assets/Equity	8.9	8.9

Profitability ratios(°)	**31.12.2017**	**31.12.2016**
Net interest income/Net operating income	50.8%	51.7%
Net fee and commission income/Net operating income	43.8%	40.7%
Cost(*) / income ratio	55.5%	53.9%
Net profit/Average equity (ROE)(a)	4.0%	4.2%
Net profit/Average Tangible Equity (ROTE)(a)	5.0%	5.4%
Net profit/Total assets (ROA)	0.4%	0.5%
Net profit/Risk-weighted assets	1.2%	1.1%

Risk ratios(°)	**31.12.2017**	**31.12.2016**
Gross bad loans/Gross loans to Customers	6.7%	6.8%
Net bad loans/Net loans to Customers	2.9%	2.9%
Impairments of loans/Net loans to Customers	0.7%	0.7%
Cost of risk(b)/Operating margin	42.3%	44.4%
Net bad loans/Total Capital(c)	18.8%	22.1%
Net non-performing loans/Net loans to Customers	6.3%	7.2%
Total Impairments of non-performing loans/Gross non-performing loans	44.3%	42.7%

Productivity ratios(°) (in income terms)	**31.12.2017**	**31.12.2016**
Operating expenses/No. of Employees (average)	144.3	146.3
Operating income/No. of Employees (average)	243.1	246.1

Productivity ratios(°) (in financial terms)	**31.12.2017**	**31.12.2016**
Loans to Customers/No. of Employees (average)	5,824.8	5,624.4
Direct funding from Customers/No. of Employees (average)	6,668.2	6,033.2
Gross banking income(f) /No. of Employees (average)	21,741.3	22,336.6

Capital ratios	**31.12.2017**	**31.12.2016**
Common Equity Tier 1(d) /Risk-weighted assets (CET 1 ratio)	20.8%	18.6%
Tier 1(e)/Risk-weighted assets (Tier 1 ratio)	22.6%	19.3%
Total Capital(c) / Risk-weighted assets (Total capital ratio)	26.1%	21.3%
Risk-weighted assets (Euro thousands)	17,686,148	17,974,538

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements shown on pages 277 and 285.
(*) Ratio calculated excluding ordinary and extraordinary contributions to support the banking system and net of the assets resulting from the acquisition of the three Savings Banks (Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato)
(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, in 2017Crédit Agricole Cariparma proved once again able to achieve considerable business performances and to maintain high profitability. The reporting year featured the acquisition of Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio San Miniato ("Fellini Combination"), which was finalized in December 2017 and entailed extraordinary expenses for the year for Crédit Agricole Cariparma amounting to approximately Euro 11 million.

Crédit Agricole Cariparma made a net profit of Euro 212 million. The above figure reports net profit after the recognition of the cost for the contributions to Single Resolution Fund (Euro 8 million before taxes), to the Deposit Guarantee Scheme (Euro 8 million before taxes) and to the Solidarity Fund (Euro 8 million before taxes), as well as the acquisition expenses for the Fellini Combination and the writedown of the equity investment recognized subsequent to the contribution to the Voluntary Scheme for the intervention in Cassa di Risparmio di Cesena (Euro 25 million before taxes). Net of these components, the profit came to Euro 252 million.

Total intermediated assets came to Euro 112 billion, increasing by 6% vs. the previous year[(1)],

THE PERFORMANCE OF BALANCE SHEET AGGREGATES

Reclassification of the Balance Sheet

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

- Presentation of Financial Assets/Liabilities held for trading on a net basis;
- Presentation of Due from/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.

(1) Underlying figure in order to take account of assets under administration regarding a specific position, due to technical requirements of the counterparty

Reclassified Balance Sheet

Assets	31.12.2017	31.12.2016	Changes	
			Absolute	%
Financial assets available for sale	2,634,465	4,177,226	-1,542,761	-36.9
Investments held to maturity	1,569,990	-	1,569,990	100.0
Loans to banks	2,759,378	294,973	2,464,405	
Loans to Customers	29,799,716	28,915,280	884,436	3.1
Equity investments	1,493,704	1,311,391	182,313	13.9
Property, plant and equipment and intangible assets	1,351,237	1,339,888	11,349	0.8
Tax assets	754,984	889,533	-134,549	-15.1
Other assets	937,863	1,022,870	-85,007	-8.3
Total net assets	**41,301,337**	**37,951,161**	**3,350,176**	**8.8**

Liabilities	31.12.2017	31.12.2016	Changes	
			Absolute	%
Net Financial Assets/Liabilities held for trading	5,846	10,582	-4,736	-44.8
Funding from Customers	34,114,743	31,016,562	3,098,181	10.0
Tax liabilities	149,627	125,349	24,278	19.4
Other liabilities	1,307,246	1,603,854	-296,608	-18.5
Specific-purpose provisions	211,980	247,180	-35,200	-14.2
Capital	934,838	876,762	58,076	6.6
Equity instruments	365,000	200,000	165,000	82.5
Reserves (net of treasury shares)	4,004,968	3,671,199	333,769	9.1
Valuation reserves	-4,623	-5,349	726	13.6
Net Profit (Loss) for the year	211,712	205,022	6,690	3.3
Total liabilities and equity	**41,301,337**	**37,951,161**	**3,350,176**	**8.8**

Reconciliation of the official and reclassified balance sheets

Assets	31.12.2017	31.12.2016
Financial assets available for sale	**2,634,465**	**4,177,226**
40. Financial assets available for sale	2,634,465	4,177,226
Investments held to maturity	**1,569,990**	**-**
50. Investments held to maturity	1,569,990	-
Loans to banks	**2,759,378**	**294,973**
60. Loans to banks	10,550,970	6,384,763
10. Due to banks	-7,791,592	-6,089,790
Loans to Customers	**29,799,716**	**28,915,280**
70. Loans to Customers	29,799,716	28,915,280
Equity investments	**1,493,704**	**1,311,391**
100. Equity investments	1,493,704	1,311,391
Property, plant and equipment and intangible assets	**1,351,237**	**1,339,888**
110. Property, plant and equipment	333,433	305,724
120. Intangible Assets	1,017,804	1,034,164
Tax assets	**754,984**	**889,533**
130. Tax assets	754,984	889,533
Other assets	**937,863**	**1,022,870**
10. Cash and cash equivalents	155,370	151,933
80. Hedging derivatives (Assets)	413,546	558,160
90. Fair value change of financial assets in macro-hedge portfolios	17,338	5,088
150. Other assets	351,609	307,689
Total assets	**41,301,337**	**37,951,161**

Liabilities	31.12.2017	31.12.2016
Funding from Customers	**34,114,743**	**31,016,562**
20. Due to Customers	26,124,339	23,426,472
30. Debt securities issued	7,990,404	7,590,090
Net Financial Assets/Liabilities held for trading	**5,846**	**10,582**
40. Financial liabilities held for trading	67,920	93,853
20. Financial assets held for trading	-62,074	-83,271
Tax liabilities	**149,627**	**125,349**
80. Tax liabilities	149,627	125,349
Other liabilities	**1,307,246**	**1,603,854**
60. Hedging derivatives (Liabilities)	411,806	595,982
70. Fair value change of financial liabilities in macro-hedge portfolios	261,708	390,588
100. Other liabilities	633,732	617,284
Specific-purpose provisions	**211,980**	**247,180**
110. Employee severance benefits	87,565	99,111
120. Provisions for risks and charges	124,415	148,069
Capital	**934,838**	**876,762**
180. Capital	934,838	876,762
Equity instruments	**365,000**	**200,000**
150. Equity instruments	365,000	200,000
Reserves (net of treasury shares)	**4,004,968**	**3,671,199**
160. Reserves	1,007,041	935,195
170. Share premium reserve	2,997,927	2,736,004
Valuation reserves	**-4,623**	**-5,349**
130. Valuation reserves	-4,623	-5,349
Net Profit (Loss) for the year	**211,712**	**205,022**
200. Net profit (loss) for the year	211,712	205,022
Total liabilities and equity	**41,301,337**	**37,951,161**

Loans to Customers

As at 31 December 2017, loans to Customers came to Euro 29.8 billion, increasing by 3.1% YOY, giving evidence of the continuous support given by the Bank to the real economy: indeed, a considerable increase was achieved both in technical forms with long maturities – specifically mortgage loans (especially home loans to households), which accounted for 62% of total loans to Customers and increased by 4.5% vs. 31 December 2016 (coming to Euro 18.4 billion) –, and in technical forms with shorter maturities (mostly to businesses) – where the Bank's operations focused on advances and credit facillities, especially with products with pricing that is favourable to Customers (also based on whether the related assets are eligible for operations with the ECB) – increasing by Euro 255 million vs. the previous year (up by +3.5%).

Credit quality

The increase in volumes was achieved while constantly focusing on credit quality, with the weight of non-performing loans on total loans to customers significantly decreasing in the reporting year (from 11.8% to 10.8%, especially unlikely-to-pay) and, concomitantly, an increased coverage ratio (up from 42.7% to 44.3%). The NPL stock could be controlled with effective actions aimed at decreasing the number of positions becoming non-performing and with the sale of NPLs for a gross amount of approximately Euro 217 million. Always pursuing prudential management, the coverage ratios of unlikely-to-pay increased (from 20.4% in 2016 to 21.5%), while the coverage ratio of bad loans was stable at 59%.

Funding from Customers

Giving evidence of Customers' confidence and trust in Crédit Agricole Cariparma, in the reporting period total funding increased by Euro 5.5[(2)] billion vs. 2016 (up by +7.3%). This growth was driven both by the direct funding component (up by +10%, i.e. Euro +3.1 billion YOY) and by the indirect funding one (up by +5%, i.e. Euro +2.4 billion). The development in direct funding (which, as at 31 December 2017 came to Euro 34.1 billion), was driven mainly by cash deposits on current accounts (increasing by Euro 3.1 billion, +14%), while term deposits decreased coming to Euro 1.2 billion (down by -22.5%).

As regards "Debt securities issued", the Group's activity focused on the issue of Covered Bonds that, thanks to better and better reception by the market, has allowed funding to be stabilized with long maturities and at advantageous costs: in 2017, the Group placed another Euro 2.3 billion worth of covered bonds; at the same time, unsecured debentures decreased: the scenario of low interest rates has been leading customers to opt for products with possible higher returns, especially asset management products.

Indirect funding

At the end of 2017, indirect funding came to over Euro 47 billion (Euro 47,314 million), markedly increasing[(3)] YOY (up by Euro +2.4 billion, i.e. +5%), driven by the component yielding higher value to Customers (asset management up Euro +1 billion vs. 2016, i.e. up by +5%), across all its determinants (Funds – benefiting from the development in Individual Saving Plans – Asset Management and Bancassurance, substantiating investors' preference for these forms of investment). Specifically, wealth management increased by Euro 940 million (up by +10%), coming to Euro 10.5 billion, while insurance products came to Euro 10.9 billion, increasing by Euro 81 million (+1%). Assets under administration also had a positive performance (up by +5.7% YOY).

(2) Underlying figure in order to take account of assets under administration regarding a specific position, due to technical requirements of the counterparty

(3) Underlying figure in order to take account of assets under administration regarding a specific position, due to technical requirements of the counterparty

Financial assets available for sale

Financial assets available for sale (Euro 2.6 million as at 31 December 2017) consisted almost exclusively of the Bank's portfolio of Italian government securities (Euro 1,117 million) and, to a residual extent, by equity securities on the banking book. The decrease for the year in financial assets available for sale (down from Euro 4.1 billion as at 31 December 2016 to Euro 2.6 billion at the end of 2017) was due to the changes in the portfolio of Italian government securities (which, as at 31 December 2017, accounted for over 95% of total assets AFS) which was affected both by the evolution in market prices and by the reduction in such portfolio amounts.

The change in equity investments essentially reflects the full writedown of the contribution to the Voluntary Scheme of the equity investment in Cassa di Risparmio di Cesena.

Investments held to maturity

A portfolio of Government Securities (amounting to approximately Euro 1.6 billion) was acquired in 2017 and has been recognized under investments held to maturity.

Equity investments

The Bank's "Equity investments" item increased vs. the end of 2016 (up by Euro +182 million) subsequent to the acquisition of the controlling shareholdings in Cassa di Risparmio di Rimini, Cassa di Risparmio di Cesena and Cassa di Risparmio di San Miniato, which was finalized on 21 December 2017.

In 2017, the Bank subscribed a share capital increase of Euro 23 million in the investee Calit. Moreover, in 2017, Crédit Agricole Cariparma increased its equity investment in Fiere di Parma to 35.85%, which entailed Euro 22.7 million reclassification from financial asset available for sale.

Property, plant and equipment and intangible assets

At the end of 2017, property, plant and equipment and intangible assets came to Euro 1.4 billion, increasing vs. 2016 subsequent to the investments made in the year and mainly referring to the projects provided for by the 2016-2020 Strategic Plan.

Specific-purpose provisions

Specific-purpose provisions came to Euro 212 million, decreasing by Euro 35 million (down by -14%) vs. 2016. This change mainly regarded the "Other provisions for risks and charges" item that came to Euro 212 million, down by Euro 24 million vs. 2016, covering personnel expenses, operational risks and legal disputes.

Equity

Equity, including the earnings for the year, came to Euro 5.5 billion, increasing by Euro 564 million (up by +11%) vs. the previous year, mainly subsequent to the share capital increase (of about Euro 320 million) made in order to finalize the Fellini Combination and subsequent to the issue of Additional Tier 1 instruments for Euro 165 million.

Own Funds

As at 31 December 2017, the Common Equity Tier 1 ratio came to 20.8%, increasing vs. the previous year (18.6% as at 31 December 2016) also due to the capital increase of Euro 320 million made at the end of 2017 within the transaction for the acquisition of Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato. The Tier 1 ratio came to 22.6% increasing vs. 31 December 2016 (19.3%) subsequent to the aforementioned share capital increase and to the issue by Crédit Agricole Cariparma of an Additional Tier 1 subordinated instrument for Euro 165 million. The Total Capital ratio came to 26.1%, increasing vs. the figure as at the end of 2016 (21.3%).

Own Funds were calculated taking account of 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) and the clarifications given by the Bank of Italy in January 2017 on the treatment of unrealized profits and losses resulting from exposures to central counterparties classified as "Financial assets available for sale".

As at 31 December 2017, the Common Equity Tier 1 came to 3,684 million, increasing vs. the previous year (Euro 3,351 million), and includes the aforementioned share capital increase and the earning allocation as proposed by the Board of Directors to the General Meeting of Shareholders. Tier 2 capital was calculated taking account of the Lower Tier 2 instruments issued in 2008 and 2011 and included in Own Funds with a "grandfathering" approach, which were replaced in the reporting period with new "Fully compliant" Lower Tier 2 instruments totalling Euro 650 million (up by Euro +212 million vs. 2016).

Risk-weighted assets came to Euro 17,686 million, decreasing vs. 2016 (down by Euro -288 million, i.e. -1.6%) reflecting, on the one hand, the developments in loans to customers and the increase in lending to the companies of the Crédit Agricole Group in Italy, and, on the other hand, the decrease in defaulted exposures subsequent to the sales of Non-Performing Loans made in the reporting year.

Loans to Customers

Items	31.12.2017	31.12.2016	Changes	
			Absolute	%
- Current accounts	1,701,558	1,665,758	35,800	2.1
- Mortgage loans	18,434,421	17,640,280	794,141	4.5
- Advances and credit facilities	7,626,274	7,371,471	254,803	3.5
- Non-performing loans	1,881,988	2,077,204	-195,216	-9.4
Loans	29,644,241	28,754,713	889,528	3.1
Loans represented by securities	155,475	160,567	-5,092	-3.2
Loans to Customers	**29,799,716**	**28,915,280**	**884,436**	**3.1**

Credit quality

Items	31.12.2017			31.12.2016		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
- Bad loans	2,095,652	1,226,543	869,109	2,085,699	1,238,809	846,890
- Unlikely to Pay	1,252,411	269,619	982,792	1,485,457	303,583	1,181,874
- Past-due/overlimit loans	32,987	2,900	30,087	53,967	5,527	48,440
Non-performing loans	3,381,050	1,499,062	1,881,988	3,625,123	1,547,919	2,077,204
Performing loans	28,033,206	115,478	27,917,728	26,973,449	135,373	26,838,076
Total	**31,414,256**	**1,614,540**	**29,799,716**	**30,598,572**	**1,683,292**	**28,915,280**

Items	31.12.2017			31.12.2016		
	Gross/total exposure	Net/total exposure	Coverage ratio	Gross/total exposure	Net/total exposure	Coverage ratio
- Bad loans	6.7%	2.9%	58.5%	6.8%	2.9%	59.4%
- Unlikely to Pay	4.0%	3.3%	21.5%	4.9%	4.1%	20.4%
- Past-due/overlimit loans	0.1%	0.1%	8.8%	0.2%	0.2%	10.2%
Non-performing loans	10.8%	6.3%	44.3%	11.8%	7.2%	42.7%
Performing loans	89.2%	93.7%	0.4%	88.2%	92.8%	0.5%
Total	**100.0%**	**100.0%**	**5.1%**	**100.0%**	**100.0%**	**5.5%**

Funding from Customers

Items	31.12.2017	31.12.2016	Changes	
			Absolute	%
- Deposits	1,248,928	1,611,291	-362,363	-22.5
- Current and other accounts	24,741,824	21,648,312	3,093,512	14.3
- Other items	133,587	166,869	-33,282	-19.9
- Repurchase agreements	-	-	-	
Due to Customers	**26,124,339**	**23,426,472**	**2,697,867**	**11.5**
Debt securities issued	**7,990,404**	**7,590,090**	**400,314**	**5.3**
Total direct funding	**34,114,743**	**31,016,562**	**3,098,181**	**10.0**
Indirect funding	**47,314,187**	**54,900,811**	**-7,586,624**	**-13.8**
Total funding	**81,428,930**	**85,917,373**	**-4,488,443**	**-5.2**

Indirect funding

Items	31.12.2017	31.12.2016	Changes	
			Absolute	%
- Asset management products	10,475,023	9,535,438	939,585	9.9
- Insurance products	10,960,882	10,880,370	80,512	0.7
Total assets under management	**21,435,905**	**20,415,808**	**1,020,097**	**5.0**
Assets under administration	**25,878,282**	**34,485,003**	**-8,606,721**	**-25.0**
Indirect funding	**47,314,187**	**54,900,811**	**-7,586,624**	**-13.8**

Financial assets available for sale

Items	31.12.2017	31.12.2016	Changes	
			Absolute	%
- Bonds and other debt securities	2,464,252	3,984,824	-1,520,572	-38.2
- Equity securities and units of collective investment undertakings	246	356	-110	-30.9
Securities available for sale	**2,464,498**	**3,985,180**	**-1,520,682**	**-38.2**
- Equity investments	169,967	192,046	-22,079	-11.5
Shareholdings available for sale	**169,967**	**192,046**	**-22,079**	**-11.5**
Net value of the related fair value hedging derivative contracts	**2,634,465**	**4,177,226**	**-1,542,761**	**-36.9**

Government securities held

	31.12.2017		
	Nominal value	Book value	Revaluation reserve
FVTPL			
Italian Government securities	1	1	X
AFS			
Italian Government securities	2,147,400	2,464,252	21,878
HTM			
Italian Government securities	1,400,000	1,550,009	X
Total	**3,547,401**	**4,014,262**	**21,878**

Equity

Items	31.12.2017	31.12.2016	Changes	
			Absolute	%
Share capital	934,838	876,762	58,076	6.6
Share premium reserve	2,997,927	2,736,004	261,923	9.6
Income reserves	1,004,251	932,405	71,846	7.7
Other reserves	2,790	2,790	-	-
Equity instruments	365,000	200,000	165,000	82.5
Reserves from valuation of available-for-sale financial assets	20,038	19,360	678	3.5
Reserves from valuation of actuarial gains (losses) relating to defined-benefit pension plans	-24,661	-24,709	-48	-0.2
Net profit for the year	211,712	205,022	6,690	3.3
Total (book) equity	**5,511,895**	**4,947,634**	**564,261**	**11.4**

Own Funds

Regulatory Capital and capital ratios	31.12.2017	31.12.2016
Common Equity Tier 1 (CET1)	**3,684,633**	**3,350,606**
Additional Tier 1 (AT1)	320,423	114,983
Tier 1 (T1)	**4,005,056**	**3,465,589**
Tier 2 (T2)	610,724	362,833
Total Capital (Own Funds)	**4,615,780**	**3,828,422**
Risk-weighted assets	**17,686,148**	**17,974,538**
of which by credit and counterparty risks and by the risk of value adjustment of the loan	15,813,441	16,077,972
Common Equity Tier 1 ratio	**20.8%**	**18.6%**
Tier 1 ratio	**22.6%**	**19.3%**
Total Capital ratio	**26.1%**	**21.3%**

PROFIT OR LOSS

Income Statement reclassification

In order to represent performance more effectively, a summary income statement has been prepared with appropriate reclassifications and based on appropriate criteria 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 was reported under "Net Interest Income" rather than under "Net Impairment Adjustments of Loans", since this 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) on Banking Activities;
- Expenses, taxes and levies recovered have been reported as a direct decrease in Administrative Expenses, rather than being recognized under Other operating income/expenses;
- Expenses for the management of non-performing loans and 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/costs";
- Net adjustments/writebacks on impairment of available-for-sale financial assets have been reclassified under Other Operating Income/Expenses;
- Net adjustments on impairment of other financial transactions, mainly relating to guarantees and commitments, have been reclassified under Net value adjustments of loans.
- The penalty paid for early repayment of the Lower Tier 2 deposit has been reported in the "Income from banking activities" rather than being allocated to the "Fee and commission expense" item.

Reclassified income statement

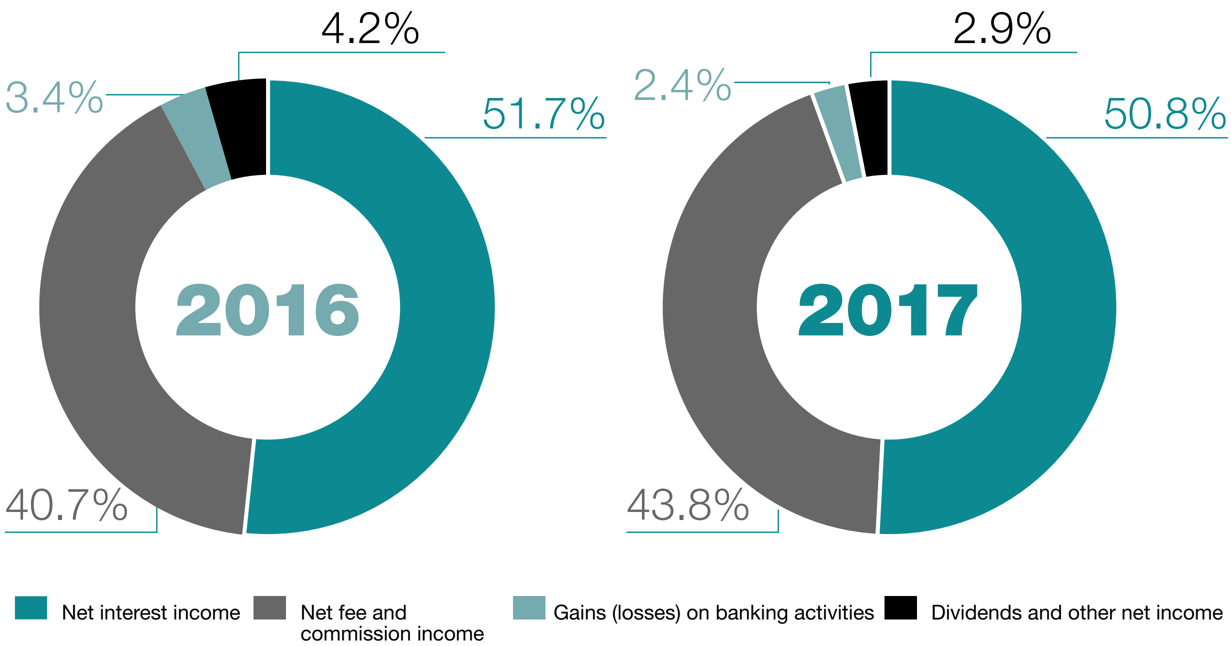
	31.12.2017	31.12.2016	Changes	
			Absolute	%
Net interest income	631,976	653,595	-21,619	-3.3
Net fee and commission income	545,238	514,940	30,298	5.9
Dividends	49,934	49,885	49	0.1
Profit (loss) on trading activities	29,799	43,370	-13,571	-31.3
Other operating income (expenses)	-13,472	3,222	-16,694	
Net operating income	**1,243,475**	**1,265,012**	**-21,537**	**-1.7**
Staff expenses	-409,992	-429,410	-19,418	-4.5
Administrative expenses	-297,728	-292,372	5,356	1.8
Depreciation of Property, plant and equipment and amortization of intangible assets	-30,491	-30,255	236	0.8
Operating expenses	**-738,211**	**-752,037**	**-13,826**	**-1.8**
Operating margin	**505,264**	**512,975**	**-7,711**	**-1.5**
Net provisions for risks and charges	-11,924	-13,717	-1,793	-13.1
Net impairments of loans	-201,555	-214,275	-12,720	-5.9
Net value adjustments of other assets	-	-	-	
Profit (losses) on investments held to maturity and on other investments	236	-195	431	
Profit (loss) on continuing operations before taxes	**292,021**	**284,788**	**7,233**	**2.5**
Taxes on income from continuing operations	-80,309	-79,766	543	0.7
Profits (losses) on non-current assets held for sale/ discontinuing operations after taxes	-	-	-	-
Net profit for the year	**211,712**	**205,022**	**6,690**	**3.3**

Reconciliation between the Official Income Statement and the Reclassified Income Statement

	31.12.2017	31.12.2016
Net interest income	**631,976**	**653,595**
30. Net interest income	594,701	612,401
90. Net profit (losses) on hedging activities: of which amortized cost effect of hedging of debt instruments	-5,193	-4,596
130. Net losses on impairment of: a) loans of which time value on non-performing loans	42,468	45,790
Net fee and commission income	**545,238**	**514,940**
60. Net fee and commission income	522,789	493,908
60. Net fee and commission income: of which penalty for Lower Tier 2 repayment/settlement	12,993	-
190. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	9,456	21,032
Dividends and similar income = item 70	**49,934**	**49,885**
Profit (losses) on banking activities	**29,799**	**43,370**
80. Net profit (losses) on trading activities	13,772	9,762
90. Net profit (losses) on hedging activities	-8,832	-5,473
90. Net profit (losses) on hedging activities: of which amortized cost effect of hedging of debt instruments	5,193	4,596
100. Gains (losses) on disposal or repurchase of: a) loans of which debt securities classified as loans	-	-
100. Profit (loss) on disposal or repurchase of: b) financial assets available for sale	33,650	35,980
100. Profit (loss) on disposal or repurchase of: d) financial liabilities	-991	-1,495
110. Net profit (loss) on financial assets and liabilities designated at fair value	-	-
60. Net fee and commission income: of which penalty for Lower Tier 2 repayment/settlement	-12,993	-
Other operating income (expenses)	**-13,472**	**3,222**
190. Other operating expenses/income	217,212	227,850
To deduct: expenses recovered	-203,653	-206,792
To deduct: recovered expenses for the management of non-performing loans	-6,226	-6,746
To deduct: Commission income from Fast Loan Application Processing	-9,456	-21,032
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	-18,500	-39
210. Gains (Losses) on equity investments of which Price Adjustment for disposal of equity investments	7,151	9,722
Net operating income	**1,243,475**	**1,265,012**
Staff expenses = item 150 a)	**-409,992**	**-429,410**
Administrative expenses	**-297,728**	**-292,372**
150. Administrative expenses: b) other administrative expenses	-516,062	-511,387
190. Other operating expenses/income: of which expenses recovered	203,653	206,792
150. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	14,681	12,223
Depreciation of Property, plant and equipment and amortization of intangible assets	**-30,491**	**-30,255**
170. Net adjustments of/recoveries on property, plant and equipment	-14,131	-13,895
180. Net adjustments of/recoveries on intangible assets	-16,360	-16,360
Operating expenses	-738,211	-752,037
Operating margin	**505,264**	**512,975**
Impairment on goodwill = item 230	-	-
Net provisions for risks and charges = Item 160	**-11,924**	**-13,717**
Net impairments of loans	**-201,555**	**-214,275**
100. Profit (loss) on disposal of: a) loans	-10,215	-16,506
to deduct: profit (loss) on disposal or repurchase of debt securities classified as loans	-	-
130. Net losses on impairment of: a) loans	-139,397	-146,906
130. Net losses on impairment of: a) loans of which time value on non-performing loans	-42,468	-45,790
150. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	-14,681	-12,223
190. Other operating expenses/income: of which recovered expenses for the management of non-performing loans	6,226	6,746
130. Net losses on impairment of: d) other financial transactions	-1,020	663
To deduct: losses/recoveries relating to FITD (Italian Interbank Deposit Protection Fund) actions	-	-259
Profit (losses) on investments held to maturity and other investments	**236**	**-195**
210. Profit (losses) on equity investments	7,151	9,702
to deduct Profits (Losses) on equity investments: of which Price Adjustment on disposal of equity investments	-7,151	-9,722
240. Profit (losses) on disposals of investments	236	-175
Profit (loss) on continuing operations before taxes	292,021	284,788
Taxes on income from continuing operations = item 260	**-80,309**	**-79,766**
Net profit for the year	**211,712**	**205,022**

Net operating income

Net operating income came to Euro 1.3 billion, in line with the previous year (net of the writedown of the equity investment recognized subsequent to the contribution to the Voluntary Scheme for the intervention in Cassa di Risparmio di Cesena): the decrease in interest income and in income from trading activities was partially offset by the increase in net fee and commission income.



Net interest income

In a scenario featuring still modest economic growth and still negative interest rates, net interest income came to Euro 634 million, decreasing vs. the previous financial year (-3%). As regards loans to Customers, 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 reduced volumes of unsecured bonds issued and increased volumes of covered bonds that are less expensive), 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 negative interest rates).

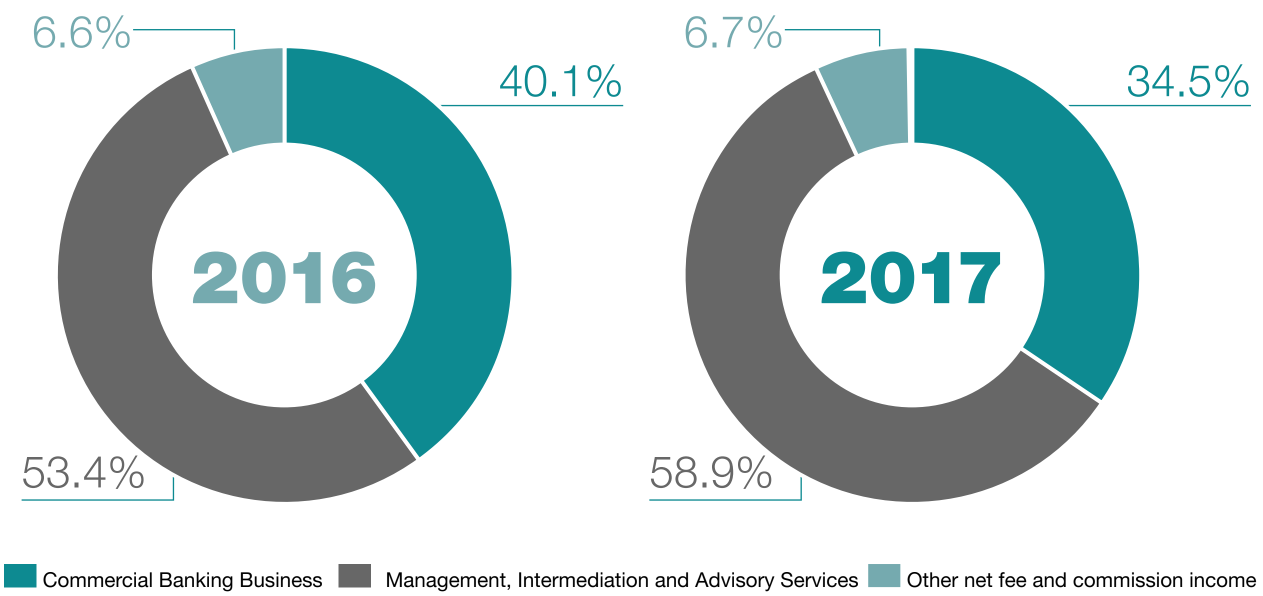
Interest income from financial assets available for sale decreased due to the reduction in yields and in government securities on the banking book.

Dividends

Dividends from shareholdings and equity investments recognized as financial assets available for sale came essentially in line with the previous year, to Euro 50 million.

Net fee and commission income

Net fee and commission income, which accounted for 44% of operating income (41% in 2016), came to Euro 545 million, increasing YOY (up by +6%): the decrease in fee and commission income from traditional banking business (down by -3%) was largely offset by the increase in fee and commission income from management, intermediation and advisory services (up by +19%). The performance was driven by fee and commission income from management, intermediation and advisory services (up by Euro +46.1 million, i.e. +17%), especially by intermediation and placing of securities and insurance products, which significantly benefited from the synergies with the Companies of the Crédit Agricole Group in Italy (insurance business with Crédit Agricole Vita and Crédit Agricole Assurazioni and consumer credit with Agos). Fee and commission income from the traditional banking business came in line with the previous year, despite the decrease in fee and commission income on loan application processing and current account management expenses (which reflects more favourable conditions for Customers).



Net income from banking activities

The contribution to the Income Statement of net income from banking activities (Euro 29.8 million as at 31 December 2017) decreased (down by -31%) vs. the previous year because of lower capital gains on the banking book.

Other operating income (expenses)

The "Other Net Operating Revenues" item came to Euro -13,5 million (in 2016 it came to Euro +3.2 million), decreasing YOY essentially subsequent to the recognition of non-recurring components including: the writedown of the equity investment recognized subsequent to the contribution to the Voluntary Scheme (FITD) for the intervention in Cassa di Risparmio di Cesena (Euro -25.2 million) and the settlement of a transaction with Intesa Sanpaolo regarding the transfers of branches made in previous year (positive for Euro 14 million).

Operating expenses

Operating costs came to Euro 738 million, decreasing by Euro 13.8 million (i.e. down by -1.8%) vs. 2016. This decrease regarded personnel expenses down by Euro 19.4 million (-4.5%).

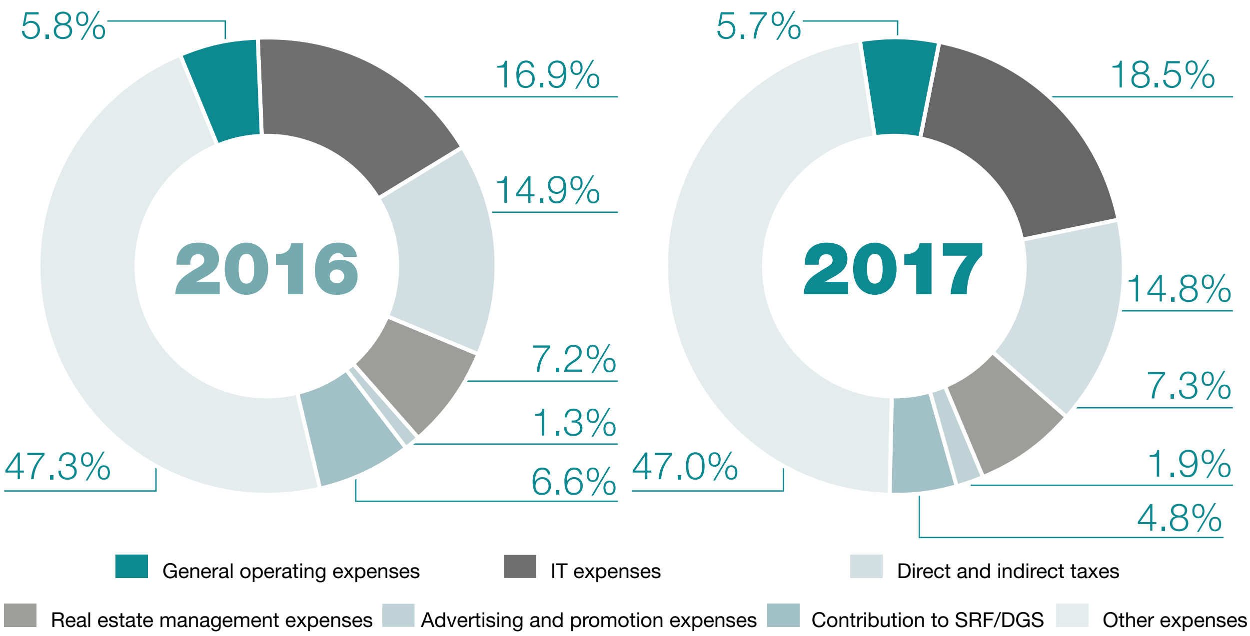
Staff costs decreased as they no longer included the expenses resulting from the agreement for voluntary redundancy incentives signed with the Trade Unions in 2016 (with a total cost for the Bank of Euro 37 million). Net of this effect, this item increased (up by Euro 18 million) subsequent to the end of lower social security contributions applying on Value Added Per Employee (Italian acronym VAP), which applied only to the 2016 financial year and subsequent to the pay increases provided for the Italian National collective bargaining agreement (+2%).

The "Administrative expenses" item reports the acquisition expenses regarding the Fellini Combination (about Euro 11 million) and about Euro 24 million worth of contributions to the Single Resolution Fund

(SRF), to the Deposit Guarantee Scheme (DGS) and to the Solidarity Fund. In the previous year, these costs came to Euro 33.2 million (in 2016 this figure also included the extraordinary contribution to the Single Resolution Fund). Net of the aforementioned non-operating expenses, administrative expenses came to Euro 263 million, increasing by Euro 4.4 million (+1.7%) for more services provided by Crédit Agricole Group Solutions S.C.p.A. (the Service Provider of the Crédit Agricole Italia Banking Group) as needed subsequent to the marked increase in the Bank's commercial business, and higher expenses for the projects provided for by the 2016-2020 Medium Term Plan.

Depreciation and amortization came to Euro 30.5 million, increasing subsequent to the investments made for the Group's Business Plan.

Net of non-operating expenses, the cost/income ratio came to 55.5%, slightly increasing vs. the previous year (up by +1.6%).



Net Provisions for risks and charges

Provisions for 2017 came to Euro 12 million (decreasing vs. the previous year) and mainly consisted of provisions for legal disputes with the Bank as the defendant and legal actions to revoke transactions in insolvency proceedings.

Net impairments of loans

The continuous decrease in the cost of credit was one of the key factors for the Bank's good performance in 2017: indeed, net value adjustments of loans came to Euro 201 million, down by 6% 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 68 bps vs. 72 bps in the previous year, even with increasing coverage ratios of non-performing loans. It is reported that, as at 31 December 2017, losses on impairment/adjustments of Unlikely to Pay loans, net of recoveries, came to Euro 53 million (down by Euro -20 million vs. 2016, i.e. down by -27%).

Profit (loss) on continuing operations before taxes

Profit on continuing operations before taxes came to Euro 292 million, increasing vs. 2016 by Euro 7 million.

Taxes on income from continuing operations

Current taxes and deferred tax liabilities came to Euro 80.3 million, slightly increasing by Euro 0.6 million vs. the previous year, even though the net profit for the year was higher.

Net of the specific taxation on dividends from equity investments, the tax burden came close to 32.0%, vs. 32.7% in the previous year, thus essentially stable.

Net profit (loss)

The profit for the year (coming to Euro 212 million) increased vs. the previous year (up by Euro +7 million, i.e. +3%), thanks to effective control of costs and higher revenues. Net of the non-operating components reported above, the net profit for the year increases to Euro 252 million.

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 2017 came to Euro 212 million vs. Euro 132 million for the previous year.

Net interest income

Items	31.12.2017	31.12.2016	Changes	
			Absolute	%
Business with Customers	502,928	539,193	-36,265	-6.7
Business with banks	-8,876	5,804	-14,680	
Debt securities issued	-85,195	-110,330	-25,135	-22.8
Spreads on hedging derivatives	145,200	141,664	3,536	2.5
Financial assets held for trading	8	8	-	-
Financial assets available for sale	69,384	77,136	-7,752	-10.0
Financial assets designated at fair value	-	-	-	
Other net interest income	-3	120	-123	
Net interest income	**631,976**	**653,595**	**-21,619**	**-3.3**

Net fee and commission income

Items	31.12.2017	31.12.2016	Changes	
			Absolute	%
- guarantees issued	658	4,188	-3,530	-84.3
- collection and payment services	31,231	29,340	1,891	6.4
- current accounts	133,178	147,896	-14,718	-10.0
- debit and credit card services	22,803	24,954	-2,151	-8.6
Commercial banking business	**187,870**	**206,378**	**-18,508**	**-9.0**
- securities intermediation and placement	126,287	103,012	23,275	22.6
- intermediation in foreign currencies	2,983	2,902	81	2.8
- asset management	8,057	7,671	386	5.0
- distribution of insurance products	161,210	141,126	20,084	14.2
- other intermediation/management fee and commission income	22,456	20,097	2,359	11.7
Management, intermediation and advisory services	**320,993**	**274,808**	**46,185**	**16.8**
Other net fee and commission income	**36,375**	**33,754**	**2,621**	**7.8**
Total net fee and commission income	**545,238**	**514,940**	**30,298**	**5.9**

Net income from banking activities

Items	31.12.2017	31.12.2016	Changes	
			Absolute	%
Interest rates	-4,711	3,915	-8,626	
Stocks	307	663	-356	-53.7
Foreign exchange	4,169	3,672	497	13.5
Commodities	23	17	6	35.3
Total profit (losses) on financial assets held for trading	**-212**	**8,267**	**-8,479**	
Total profit (losses) on assets held for hedging	**-3,639**	**-877**	**2,762**	
Profit (losses) on disposal of financial assets available for sale	**33,650**	**35,980**	**-2,330**	**-6.5**
Net profit (loss) on financial assets and liabilities designated at fair value	**-**	**-**	**-**	
Profit (losses) on disposal of debt securities classified as loans	**-**	**-**	**-**	
Profit (loss) from banking activities	**29,799**	**43,370**	**-13,571**	**-31.3**

Comprehensive income

Items	31.12.2017	31.12.2016
10. Net Profit (Loss) for the year	**211,712**	**205,022**
Other comprehensive income after taxes not reversed in profit or loss		
20. Property, plant and equipment	-	-
30. Intangible Assets	-	-
40. Actuarial profits (losses) on defined-benefit plans	48	-2,907
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 investments in foreign operations	-	-
80. Exchange rate differences	-	-
90. Cash flow hedges	-	-
100. Financial assets available for sale	678	-69,804
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	**726**	**-72,711**
140. Comprehensive income (Item 10+130)	**212,438**	**132,311**

Other information

NATIONAL TAX CONSOLIDATION REGIME

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 Crédit Agricole Cariparma 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 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.

APPROACH TO SUSTAINABILITY AND OTHER NON-FINANCIAL ASPECTS

Crédit Agricole Cariparma, in its capacity as a Public Interest Entity (pursuant to Article 16, paragraph 1, of Italian Legislative Decree No. 39 of 27 January 2010) having sizes – in terms of employees, balance sheet and net revenues – exceeding the thresholds laid down in Article 2 paragraph 1, is subject to Italian Legislative Decree No. 254 of 30 December 2016 (hereinafter referred to as Decree 254) "Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, amending Directive

2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups".

Complying with such obligations, the Crédit Agricole Italia Banking Group has prepared its consolidated Non-Financial Statement (NFS) as at 31 December 2017, in accordance with Decree 254, which is separate from the Management Report but an integral part of the documentation regarding the 2017 Annual Report and Financial Statements.

As required by the applicable legislation, the NFS reports information relating to environmental matters, social and employee-related matters, respect for human rights, anti-corruption and anti-bribery matters, as relevant in accordance with the features of the Group's Banks, for full disclosure and reporting on them and on the resulting impacts.

Report on corporate governance and ownership structure – Information pursuant to Article 123-bis paragraph 2, letter b) of Italian Legislative Decree 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 General Meeting of Shareholders

The Annual Report and Financial Statements for the financial year from 1 January to 31 December 2017, 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 211,712,287 is as follows:

5% to the legal reserve	10,585,614
To the charity fund	1,300,000
To the shareholders in the amount of €0.11870 to each of the 934,837,845 ordinary shares	110,965,252
To extraordinary reserve	88,861,421

Parma, Italy, 27 March 2018

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 2017 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 2017:

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, 27 March 2018

Giampiero Maioli
Chief Executive Officer

Pierre Débourdeaux
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

Independent Auditors' Report

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Crédit Agricole Cariparma S.p.A. (the "Bank"), which comprise the balance sheet as at December 31, 2017, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and the notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at December 31, 2017 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 as well as with the regulations issued for implementing article 9 of Legislative Decree n. 38, dated February 28, 2005 and article 43 of Legislative Decree n. 136, dated August 18, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.
We are independent of the Crédit Agricole Cariparma S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
Impairment test of Goodwill	
Goodwill presented in line item 120 of the Balance Sheet of the financial statements for	Our audit procedures in response to the key audit matter included, amongst others:

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Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00
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Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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the year ended December 31, 2017, amounts to Euro 922 million and is entirely allocated to the Retail / Private cash-generating unit (CGU).

As required by IAS 36 "Impairment of assets", goodwill is not subject to systematic amortization but is subject, at least once a year, to an impairment test performed by comparing the carrying value of the CGU, inclusive of the goodwill, with its recoverable amount.

Management of the Bank identified for the impairment test purposes the so called "Value in use" as the proper configuration of the CGU's recoverable amount, determined by discounting the expected cash flows in accordance with the methodology internally developed by the Crédit Agricole S.A. Group and assumptions, which by their nature entail the Directors' use of judgment.

In this context, for the purpose of estimating future cash flows, management used the budget figures for the year 2018, the figures included in the "Medium and Long Term Plan" for the period 2019-2020, while for the period 2021-2022 the growth rates were determined by considering the internal dynamics of each aggregate and the point reached in the economic cycle.

Since the amount of goodwill is significant for the financial statements as a whole, also in light of the subjectivity of the assumptions made by the Directors in the process of estimating the recoverable amount of the CGUs, we considered the impairment test of the goodwill as a key audit matter.

The disclosures regarding the impairment test are provided in Part A - Accounting policies and in Part B - Information on the balance sheet of the notes to the financial statements.

- an understanding of the method for determining the recoverable amount adopted by the Bank, as part of their impairment testing process approved by the Board of Directors, and related key controls;
- a comparison of the actual results achieved in the 2017 with the corresponding budget figures, in order to understand the reasons underlying the main differences;
- with the support of our experts in business valuations, the assessment of the appropriateness of the methodology and the reasonableness of the assumptions made by the management to determine the recoverable amount, as well as the verification of the accuracy of the calculations and the sensitivity on the key assumptions.

Finally, we examined the adequacy of the disclosures provided in the notes to the financial statements.

Classification and evaluation of loans to customers

Loans to customers presented in line item 70 of the balance sheet amount to Euro 29,800 million at December 31, 2017, and represent approximately 61%of total assets on the balance sheet.

Our audit procedures in response to the key audit matter included, amongst others:

- an understanding of the design and the execution of tests on key controls that have been implemented within the classification and valuation process, in order to verify their effectiveness;

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Determining the impairment of loans to customers represents one of the main estimates whereby management is required use its judgment. Loans for which no objective evidence of losses have been identified on an individual basis are subject to impairment on a collective basis.

Disclosures regarding the changes in the quality of the loans to customers portfolio and on the classification and measurement criteria adopted is provided in Part A - Accounting policies, in Part B - Information on the balance sheet, in Part C - Information on the income statement and in Part E - Information on risks and related hedging policies of the notes to the financial statements.

Because the amount of loans to customers is material for the financial statements as a whole, and considering the complex and judgmental process underlying the identification of events that can change the credit risk of debtors and therefore affect the impairment amount, we identified the classification and evaluation of loans to customers as a key audit matter.

- carrying out a portfolio analysis aimed at understanding, also through discussion with the management, the drivers of changes in the main loan sub-portfolios by risk category and the related loss coverage levels;
- as regards the exposures for which impairment has been estimated on an individual basis, the assessment on a sample basis of the proper application of the bank's impairment policies;
- as regards to the exposures impaired collectively, the assessment of the reasonableness of the assumptions and parameters of the model adopted, as well as the verification on a sample basis of the correctness of the related calculations.

Finally, we examined the adequacy of the disclosures provided in the notes to the financial statements.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38, dated February 28, 2005 and article 43 of Legislative Decree n. 136, dated August 18, 2015, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Bank's ability to continue as a going concern when preparing the financial statements, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Bank's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Crédit Agricole Cariparma S.p.A., in the general meeting held on April 23, 2012, engaged us to perform the audits of the financial statements of each year ending from December 31, 2012 to December 31, 2020.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998

The Directors of Crédit Agricole Cariparma S.p.A. are responsible for the preparation of the Management Report and the Report on Corporate Governance and Ownership Structure of Crédit Agrcole Cariparma S.p.A. as at December 31, 2017, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

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 included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998, with the financial statements of Crédit Agricole Cariparma S.p.A. as at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Management Report and the above-mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Crédit Agrcile Cariparma S.p.A. as at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, April 5, 2018

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		31.12.2017	31.12.2016
10.	Cash and cash equivalents	155,369,633	151,933,344
20.	Financial assets held for trading	62,074,133	83,270,749
30.	Financial assets designated at fair value	-	-
40.	Financial assets available for sale	2,634,465,236	4,177,226,250
50.	Investments held to maturity	1,569,990,409	-
60.	Loans to banks	10,550,970,046	6,384,763,230
70.	Loans to Customers	29,799,716,470	28,915,279,823
80.	Hedging derivatives	413,546,339	558,160,178
90.	Fair value change of financial assets in macro-hedge portfolios (+/-)	17,338,199	5,088,139
100.	Equity investments	1,493,703,547	1,311,391,190
110.	Property, plant and equipment	333,433,227	305,724,109
120.	Intangible Assets	1,017,803,869	1,034,163,580
	of which: goodwill	922,339,723	922,339,723
130.	Tax assets	754,984,383	889,533,718
	(a) current	175,262,009	254,527,497
	(b) deferred	579,722,374	635,006,221
	b1) pursuant to Italian Law No. 214/2011	525,865,949	575,759,974
140.	Non-current assets held for sale and discontinued operations	-	-
150.	Other assets	351,605,707	307,687,233
Total assets		**49,155,001,198**	**44,124,221,543**

Liabilities and Equity		**31.12.2017**	**31.12.2016**
10.	Due to banks	7,791,591,667	6,089,789,805
20.	Due to Customers	26,124,338,715	23,426,471,642
30.	Debt securities issued	7,990,403,845	7,590,089,999
40.	Financial liabilities held for trading	67,919,874	93,853,272
50.	Net Financial liabilities designated at fair value	-	-
60.	Hedging derivatives	411,805,731	595,981,955
70.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	261,707,732	390,588,205
80.	Tax liabilities	149,627,132	125,349,299
	(a) current	107,006,929	82,843,406
	b) deferred	42,620,203	42,505,893
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
100.	Other liabilities	633,731,920	617,284,484
110.	Employee severance benefits	87,564,799	99,111,309
120.	Provisions for risks and charges	124,414,521	148,068,783
	(a) Post-employment benefits	15,130,916	16,377,053
	b) other provisions	109,283,605	131,691,730
130.	Valuation reserves	-4,622,875	-5,348,700
140.	Redeemable shares	-	-
150.	Equity instruments	365,000,000	200,000,000
160.	Reserves	1,007,040,547	935,194,662
170.	Share premium	2,997,927,458	2,736,003,683
180.	Capital	934,837,845	876,761,620
190.	Treasury shares (+/-)	-	-
200.	Profit (Loss) for the year	211,712,287	205,021,525
Total liabilities and equity		**49,155,001,198**	**44,124,221,543**

INCOME STATEMENT

Items		31.12.2017	31.12.2016
10.	Interest and similar income	737,455,901	778,686,056
20.	Interest and similar expenses	(142,755,374)	(166,284,878)
30.	**Net interest income**	**594,700,527**	**612,401,178**
40.	Fee and commission income	564,486,455	518,042,111
50.	Fee and commission expense	(41,696,748)	(24,134,328)
60.	Net fee and commission income	522,789,707	493,907,783
70.	Dividends and similar income	49,934,338	49,884,664
80.	Net profit (losses) on trading activities	13,772,455	9,761,877
90.	Net profit (losses) on hedging activities	(8,831,757)	(5,473,194)
100.	Profit (losses) on disposal or repurchase of:	22,443,717	17,979,376
	a) loans	(10,214,922)	(16,505,944)
	b) financial assets available for sale	33,649,586	35,980,044
	c) investments held to maturity	-	-
	d) financial liabilities	(990,947)	(1,494,724)
110.	Net profit (loss) on financial assets and liabilities designated at fair value	-	-
120.	**Net interest and other banking income**	**1,194,808,987**	**1,178,461,684**
130.	Net losses/recoveries on impairment of:	(158,917,047)	(146,282,969)
	a) loans	(139,396,790)	(146,906,062)
	b) financial assets available for sale	(18,500,182)	(39,424)
	c) investments held to maturity	-	-
	d) other financial transactions	(1,020,075)	662,517
140.	**Net income from banking activities**	**1,035,891,940**	**1,032,178,715**
150.	Administrative expenses:	(926,055,095)	(940,796,771)
	a) Personnel expenses	(409,992,596)	(429,410,058)
	b) other administrative expenses	(516,062,499)	(511,386,713)
160.	Net provisions for risks and charges	(11,923,818)	(13,717,152)
170.	Net adjustments of/recoveries on property, plant and equipment	(14,131,513)	(13,894,930)
180.	Net adjustments of/recoveries on intangible assets	(16,359,710)	(16,359,710)
190.	Other operating expenses/income	217,211,349	227,849,901
200.	**Operating costs**	**(751,258,787)**	**(756,918,662)**
210.	Profit (losses) on equity investments	7,151,465	9,701,864
220.	Profit (losses) from property, plant and equipment and intangible assets designated at fair value	-	-
230.	Impairment on goodwill	-	-
240.	Profit (losses) on disposals of investments	236,297	(174,600)
250.	**Profit (loss) on continuing operations before taxes**	**292,020,915**	**284,787,317**
260.	Taxes on income from continuing operations	(80,308,628)	(79,765,792)
270.	**Profit (loss) from continuing operations, net of taxes**	**211,712,287**	**205,021,525**
280.	**Profit (loss) on discontinuing operations net of taxes**	-	-
290.	**Net Profit (Loss) for the year**	**211,712,287**	**205,021,525**

STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2017	31.12.2016
10.	**Net Profit (Loss) for the year**	**211,712,287**	**205,021,525**
	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	47,410	(2,906,352)
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 investments in foreign operations	-	-
80.	Exchange rate differences	-	-
90.	Cash flow hedges	-	-
100.	Financial assets available for sale	678,415	(69,803,914)
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**	**725,825**	**(72,710,266)**
140.	**Comprehensive income (Item 10+130)**	**212,438,112**	**132,311,259**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2017

	Capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Profit/(Loss) for the year	Equity
			Income reserves	Other				
EQUITY AS AT 31 DEC. 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
ALLOCATION OF NET PROFIT FOR PREVIOUS YEAR								
Reserves	-	-	86,936,877	-	-	-	-86,936,877	-
Dividends and other allocations	-	-	-	-	-	-	-118,084,648	-118,084,648
CHANGES FOR THE YEAR								
Change in reserves	-	-	549,170	-	-	-	-	549,170
Transactions on equity								
Issues of new shares	58,076,225	261,923,775	-	-	-	-	-	320,000,000
Purchase of treasury shares	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-15,640,162	-	-	165,000,000	-	149,359,838
Derivatives on treasury shares	-	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	725,825	-	211,712,287	212,438,112
EQUITY AS AT 31 DEC. 2017	**934,837,845**	**2,997,927,458**	**1,004,251,201**	**2,789,346**	**-4,622,875**	**365,000,000**	**211,712,287**	**5,511,895,262**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2016

	Share Capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Profit/(Loss) for the year	Equity
			Income reserves	Other				
EQUITY AS AT 31 DEC. 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 PREVIOUS YEAR								
Reserves	-	-	57,333,406	-	-	-	-57,333,406	-
Dividends and other allocations	-	-	-	-	-	-	-159,167,796	-159,167,796
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	-	-	-	-	-	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 DEC. 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 CASH FLOWS

		31.12.2017	31.12.2016
A.	**OPERATING ACTIVITIES**		
1.	**Cash flows generated/absorbed by operations**	**658,235,765**	**647,178,792**
-	Profit (Loss) for the year (+/-)	211,712,287	205,021,525
-	profit (losses) on financial assets held for trading and on financial assets/liabilities designated at fair value (-/+) - at fair value (+/-)	-5,824,898	-1,318,733
-	profit/losses on hedging activities (-/+)	7,722,218	11,904,523
-	Net losses/recoveries on impairment (+/-)	141,425,467	125,543,085
-	net adjustments to/recoveries on property, plant and equipment and intangible assets (+/-)	30,491,223	30,254,640
-	Net provisions for risks and charges and other expenses/revenues (+/-)	11,923,818	13,717,152
-	Unpaid taxes and tax credits (+)	80,308,628	79,765,792
-	Other adjustments (+/-)	180,477,022	182,290,808
2.	**Cash flow generated/absorbed by financial assets**	**-3,874,572,719**	**-3,678,655,508**
-	financial assets held for trading	27,021,514	18,352,714
-	financial assets available for sale	1,506,856,488	228,329,273
-	Loans to banks on demand	90,432,743	-101,942,268
-	Loans to banks other receivables	-4,256,639,559	-2,082,085,014
-	Loans to Customers	-1,085,212,024	-1,607,386,673
-	Other assets	-157,031,881	-133,923,540
3.	**Cash flows generated/absorbed by financial liabilities**	**4,611,165,140**	**1,817,301,526**
-	Due to banks: on demand	538,294,343	-18,840,766
-	Due to banks: other due and payables	1,208,679,125	1,237,783,445
-	Due to Customers	2,720,629,003	1,960,722,693
-	Debt securities issued	463,146,689	-1,133,887,943
-	Financial liabilities held for trading	-25,933,398	-15,899,253
-	Other liabilities	-293,650,622	-212,576,650
Net cash flow generated/absorbed by operating activities		**1,394,828,186**	**-1,214,175,190**
B.	**INVESTING ACTIVITIES**		
1.	**Liquidity generated by:**	**51,562,259**	**50,291,940**
-	sales of equity investments	-	300,000
-	Dividend received on equity investments	49,934,338	49,884,664
-	Sales of property, plant and equipment	859,338	107,276
-	sales of business units	768,583	-
2.	**Liquidity absorbed by:**	**-1,794,229,346**	**-36,634,318**
-	purchases of equity investments	-181,763,187	-1,701,855
-	purchases of financial assets held to maturity	-1,569,990,409	-
-	purchases of property, plant and equipment	-42,475,750	-34,932,463
Net cash flow from/used in investment activities		**-1,742,667,087**	**13,657,622**
C.	**FUNDING ACTIVITIES**		
-	issues/purchases of treasury shares	320,000,000	-
-	issues/purchases of equity instruments	149,359,838	200,000,000
-	Distribution of dividends and other	-118,084,648	-159,167,796
Net cash flows from/used in financing activities		**351,275,190**	**40,832,204**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR		**3,436,289**	**-1,159,685,364**

RECONCILIATION

Financial Statement items	31.12.2017	31.12.2016
Opening cash and cash equivalents	151,933,344	1,311,618,708
Total net increase/decrease in cash and cash equivalents for the year	3,436,289	-1,159,685,364
Closing cash and cash equivalents	155,369,633	151,933,344

KEY: (+) generated/ from (–) absorbed/used in

Consistently with the amendment to IAS 7, adopted with Commission Regulation (EU) 2017/1990 of 6 November 2017, to be applied as from the commencement date of the first financial year starting on or after 1 January 2017, the disclosures required by paragraph 44 B in order to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

	31.12.2016	Changes from financing cash flows	Changes arising from obtaining or losing control of subsidiaries or other businesses	Changes in fair values	Other changes	31.12.2017
Liabilities arising from financing activities (items 10, 20, 30, 40, 50 of Liabilities)	37,200,204,718	4,929,639,621	-67,933,536	-87,656,702	-	41,974,254,101

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 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 2017 (including the interpretations documents called SIC and IFRIC) have been applied, as endorsed by the European Commission and listed in detail in the specific table in an annex to these Financial Statements.

The financial statements and the contents of the note to the financial statements have been prepared in 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, 22 December 2014 and 15 December 2015

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND ENTERED INTO FORCE IN 2017

Standards, amendments or interpretations	**Date of publication**	**Date of first application**
Amendment to IAS 7 – Statement of Cash Flows: Disclosure on liabilities arising from financing activities	09 November 2017 (EU No. 1990/2017)	1 January 2017
Amendments to IAS 12 – Income taxes Recognition of deferred tax assets for unrealised losses	9 November 2017 (EU No. 1989/2017)	1 January 2017

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

Commission Regulation (EU) 2017/1989 of 6 November 2017 – IAS 12 "Recognition of deferred tax assets for unrealised losses"

The amendments aim to clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The amendments shall be applied at the latest, as from the commencement date of financial years starting on or after 1 January 2017.

Commission Regulation (EU) 2017/1990 of 6 November 2017 – IAS 7 "Disclosure Initiative"

The amendments are intended to improve information on an entity's financial liabilities; therefore, an entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments shall be applied at the latest, as from the commencement date of financial years starting on or after 1 January 2017.

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

Standards, amendments or interpretations	Date of publication	Date of first application
IFRS 15 Revenue from Contracts with Customers Replacement of IAS 11 Construction Contracts and IAS 18 Revenue	29 October 2016 (EU No. 1905/2016)	1 January 2018
IFRS 9 Financial instruments Replacement of IAS 39 Financial Instruments: Recognition and Measurement	29 November 2016 (EU No. 2067/2016)	1 January 2018
IFRS 16 Leases Replacement of IAS 17 for recognition of leases	9 November 2017 (EU No. 1986/2017)	1 January 2019
Clarifications to IFRS 15 Revenue from Contracts with Customers	9 November 2017 (EU No. 1987/2017)	1 January 2018
Amendment to IFRS 4 Insurance Contracts Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	9 November 2017 (EU No. 1988/2017)	1 January 2018

IFRS 15 Revenue from Contracts with Customers

IFRS 15 “Revenue from Contracts with Customers” shall be applicable to annual reporting periods beginning on or after 1 January 2018 (in compliance with Regulation (EU) no 1905/2016). 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 figure 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.

Based on the conclusions drawn from the impact analysis carried out in the first half of 2016, no significant impacts are expected on the profit (loss) of the Crédit Agricole Italia Banking Group.

IFRS 9 Financial Instruments

For reporting periods starting on or after 1 January 2018, IFRS 9 “Financial Instruments” shall replace IAS 39 “Financial Instruments: recognition and measurement” IFRS 9 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) or equity instruments (i.e. stocks).

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 contractual characteristics.

The standard provides 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 over the instrument life and selling the financial assets; this model provides for both selling the financial asset and for collecting cash flows;
- 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 security 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.

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 model according to the opportunities and upon condition 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 falling within the Sell business model.

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:

- A marginal increase in financial assets measured at fair value for the reclassification of OICR and of some own funds instruments within this category, which shall result in higher volatility on the profit (loss) for the year;
- The classification at amortized cost of most loans and receivables/credit claims, upon condition that they comply with the SPPI test;

The classification of debt instruments at fair value with impact taken to equity and with recycling or their classification at amortized cost in accordance with the business model as substantiated on the date of first application.

Impairment

IFRS 9 provides for a new impairment model requiring the recognition of ‘Expected Credit Losses’ or ‘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.

This new ECL approach is designed to result in earlier recognition of expected credit losses, since the impairment model provided for by IAS 39 their recognition is subject to the occurrence of an objective loss event.

ECLs are defined 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 macroeconomic information; 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 has three different “buckets”:
- First bucket: from the initial recognition of the instrument (loan, debt security, guarantee), the entity shall recognize expected credit losses over twelve 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 transaction becomes non-performing (third bucket).

In order to assess significant deterioration, the Crédit Agricole Italia Banking Group has joined in the Crédit Agricole S.A. Group process, which is based on two levels of analysis:
- The first level 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 used for regulatory purposes.

In this way, a debtor will be considered defaulted if at least one of the two conditions here below is met:
- Payment delayed by generally 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 for 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 the IFRS 9 scope and is expected to be still governed by IAS 39.

However, upon first adoption of IFRS 9, two options are possible:
- Applying the Hedge accounting rules provided for by IFRS 9;
- Continuing to apply IAS 39 up to the adoption of IFRS 9 for the set of hedges (at the latest until the standard 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 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 the first 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, in 2016, the Crédit Agricole Italia Banking Group participated in the Group's main projects, namely:
- Regulatory projects, identifying the main impacts on the balance sheet and setting the target impairment process of the Group, which resulted in the preparation of a common methodological framework;
- Methodological projects for the definition of the possible options regarding the formula for impairment, significant deterioration and forward-looking calculation;
- 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. Representatives of the Crédit Agricole Italia Banking Group constantly participated in the Comité de Pilotage of the Parent Company CA.sa.

Some provisional simulations of the impact generated by the new standard 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 the Group level.

The implementation works continued in 2017 including 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 Banking 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.

IFRS 16 LEASES

IFRS 16 “Leases”, applicable to annual reporting periods starting on or after 1 January 2019, shall replace IAS 17 all all related interpretations (IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

The standards 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.

IIn 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, as part of it, consistently on the Crédit Agricole Italia Banking Group, was carried out in 2017. The Group is currently working to define the structuring options associated with the standard interpretation.

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 equity 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 2017 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 Crédit Agricole Cariparma 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).

Along with the figures for the reporting year, the financial statements and the Note also contain comparative figures for the year ended as at 31 December 2016.

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;
- 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 2017 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

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 of Crédit Agricole Cariparma are audited by EY S.p.A, implementing the Resolution passed by the General Meeting of Shareholders on 24 April 2012, whereby this Firm was assigned this task for the period 2012-2020.

PUBLICATION OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The draft Annual Report and Consolidated Financial Statements as at 31 December 2017 of the Crédit Agricole Cariparma were approved by the Board of Directors at its meeting held on 27 March 2018 and the Board authorized their publication, also pursuant to IAS 10.

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 have 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 the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

To measure the fair value of financial instruments that are 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 sold are derecognized if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, 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 reports 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

Available-for-sale financial assets 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 taken to 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. Poorly tradable Equity Instruments and UCITS Funds are measured including a 10% illiquidity discount.

"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 year, 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 that the financial instrument would have had if the loss had not been 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 substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

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 reports 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 fair value 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.

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

If such evidence exists, 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 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 are 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, adjustments/writebacks 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 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 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 2017 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 writedown 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 if prior adjustments had not been made.

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) 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 the ownership of the asset in question. Conversely, when a prevalent share of the risks and rewards associated with the ownership of the transferred loans and receivable is retained, they continue to be recognized, even though legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, loans and receivables are derecognized where no form of control over them 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, transferred loans and receivables 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, should the risk event take place.

The following types of hedges are used:

- fair value hedges: these are used to hedge exposures to changes in the fair value (attributable to the different types of risk) of assets and liabilities or portions thereof, groups of assets and liabilities, irrevocable commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39 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 considered a hedge 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, 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 ineffective hedge produced by economic circumstances that are expected to return to normal as confirmed by prospective tests are 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 macrohedged. 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 the changes in the fair value of the hedging derivative, with a ratio ranging between 80% and 125%.

7. Equity investments

RECOGNITION, CLASSIFICATION AND MEASUREMENT

This item includes shares held in associates and joint ventures.

Joint ventures are companies in which the voting rights and the control of its business activities are shared equally, directly or indirectly, between the Parent Company and another party. Joint arrangements also include equity investments in which, despite the lack of equal voting rights, control over the business activities and the strategic policies of the investee company is shared with other parties under contractual agreements.

Associates are companies in which the 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.

Equity investments have been recognized at cost.

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.

Having regard to the acquisition of the Fellini equity investment for a total amount of Euro 130 million, a transaction that is exhaustively reported in Part G of the Note to the Consolidated Financial Statements, no impairment was found.

If the recoverable value is lower than the book value, the difference is recognized in the income statement.

If the reasons for impairment are removed subsequent to an event occurring after the impairment loss recognition, 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, buildings used in operations, 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, including investment property, is 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;
- Property of artistic value;
- Works of art, since their useful life cannot be estimated and their value normally increases over time.

If there is evidence of impairment of the asset, the asset's carrying value is compared with its recoverable value. Any writedowns are recognized in the income statement.

If the reasons for impairment cease to exist, a writeback is recognized. The book value following the writeback shall not exceed the value the asset would have had, net of depreciation, in the absence of the prior writedown.

DERECOGNITION

Property, plant and equipment items are derecognized when disposed of or when the asset is permanently withdrawn from use and no future benefits are expected from its disposal.

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 signals are recorded of a possible impairment. The amortization period and approach for intangible assets with finite useful life are reassessed at least at the end of every year. Changes in the expected useful life or in the modalities with which the future economic benefits linked to the assets occur, are recognized through the change of the period or amortization approach, as the case may be, and are considered as accounting estimate changes. The amortization cost for intangible assets with finite useful life is recognized in the Income Statement in the 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 cash-generating unit level.

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

This recoverable value is the higher of the fair value of the cash-generating unit, net of any selling costs, and its value in use. Any subsequent writedown is recognized in the income statement.

DERECOGNITION

Intangible assets are derecognized from the Balance Sheet when disposed of or when no future economic benefits are expected to be generated by the asset.

Profits or losses resulting from the derecognition of intangible assets are calculated as the difference between the net disposal revenue and the book value of the intangible asset and are recognized in the Income Statement for the year in which the derecognition is made.

10. Non-current assets held for sale

"Non-current assets held for sale and discontinued operations" and "Liabilities in respect of assets held for sale" report non-current assets or groups of assets/liabilities which are in the process of being divested, and for which a sale is considered highly probable. In case of transactions subject to authorization to be issued by Supervisory Authorities, the Group's accounting policy, since it attaches an essential value to such authorization, provides for "Non-current Assets/Liabilities and discontinued operations" to be recognized as from the date of receipt of the such authorization (whether express or tacit).

These assets/liabilities are 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 prudential forecasts of the current tax liability and deferred tax assets and liabilities. Specifically, deferred tax assets and liabilities are calculated on the basis of temporary 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.

The related probability test is determined taking account of the estimated future profits of the single Companies, of temporary differences and of estimated permanent differences. In addition, where necessary, it is also taken into account whether the Companies concerned belong to the Tax Consolidation scheme pursuant to Article 117 of Italian Presidential Decree No. 917/86, as well as the subsequent ability to absorb such values within the estimated income of the Consolidation Scheme.

In order to verify that the conditions to recognize deferred tax assets were met, the Management assessed the income capacity of the single Savings Banks and of the Group, the latter in view of the expected favourable outcome of the tax ruling petition submitted pursuant to Article 172 of the Italian Consolidated Act on Income Taxes (TUIR) and based on the resolutions passed on 8 February 2018 by the Boards of Directors of the Parent Company and of the three Savings Banks for their merger by absorption into the Parent Company. Based on the aforementioned assessment, the Management ascertained that the conditions to recognize deferred tax assets "non-convertible into tax credits" were met.

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 transactions entailing their taxation 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 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 (PUC) method. Under this method, future outlays are projected based on analyses of time series and the demographic curve and the discounting of these cash flows using market interest rates, as set forth in the relevant tables in the Note to the Financial Statements. Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

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 accrual 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

The "Due to banks", "Due to customers" and "Debt securities issued" items report all forms of interbank and customer funding, repurchase agreements and funding through certificates of deposit, bonds and other funding instruments issued, less any amounts repurchased.

RECOGNITION

These financial liabilities are initially recognized upon the signing of the relevant contract, which is usually the date of receipt of the funds raised or of the issue of debt securities.

These financial liabilities are initially recognized at fair value, which usually is equal to the amount collected or the issue price plus any additional expenses/income that can be directly attributed to the single financing or issue transaction. Internal administrative expenses are excluded

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 received 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 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. Net Financial liabilities designated at fair value

Crédit Agricole Cariparma has not exercised the fair value option for financial liabilities. In other words, it has not opted to measure financial liabilities at fair value, taking the result of such measurement to the Income Statement, other than those financial liabilities to be measured at fair value in accordance with IAS

39 owing to their specific functional purpose. Therefore, only financial liabilities classified in the trading book, subject to fair value hedging and hedging derivatives are designated at fair value and the results of this measurement are recognized in the income statement.

16. Foreign currency transactions

INITIAL RECOGNITION

Transactions in a foreign currency are initially recognized in the reporting currency by translating the foreign currency amount at the exchange rate in force on the date of the transaction.

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

The Bank Recovery and Resolution Directive (BRRD – 2014/59/EU) lays 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 both 2016 and 2017, the share of irrevocable payment commitments allowed to be used by Banks is 15% of total contributions. To secure full payment of the total contributions, intermediaries are required to give eligible assets as collateral that, for the two years in question, may consist only of cash.

In 2017, 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 2017 financial year, calculated pursuant to 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.

It is reported that the Bank exercised the option to settle 15% of its total contribution through irrevocable payment commitments. The ex-ante ordinary contribution to the Single Resolution Fund, net of IPCs, to be paid by Crédit Agricole Cariparma for 2017 amounts to Euro 7.9 million.

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).

Financial resources are raised on a prior basis by the Fund that asks all the Banks within the scheme to pay a contribution proportional to their respective share in the FITD.

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 schemes, 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 IASs/IFRSs. This asset is an equity investment. The Crédit Agricole Italia Banking Group recognized an equity investment classified under “Financial Assets available for sale”.

In accordance with the resolutions passed by the Management Board of the FIDT Voluntary Scheme in 2016 and 2017, total contributions paid by Crédit Agricole Cariparma amounted to Euro 11.9 million and, for such contributions, equity securities were recognized in the “Financial Assets available for sale” category.

In 2017, these securities were fully written down for impairment.

The total contribution paid by Crédit Agricole Cariparma in 2017 was Euro 11.9 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 transfer all risks and rewards of ownership; otherwise, leases are classified as operating leases.

For finance lease contracts entered into by the Crédit Agricole Italia Banking Group as the lessor, the leased assets are recognized as receivables in the Balance Sheet with a value equal to the lease net investment, while interest income (financial components of lease fees) is recognized in the Income Statement, and the fee part representing principal repayment reduces the receivable value.

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 attributed to net investment increase include only the additional costs which are directly attributable to negotiating and finalizing the finance lease transaction which are certain and immediately determinable upon the initial recognition of the lease receivable, such as commission and legal expenses.

Crédit Agricole Cariparma 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, Crédit Agricole Cariparma had no finance lease contracts 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 costs of these shares and any gains or losses resulting from their subsequent sale are recognized as changes in Equity.

LEASEHOLD IMPROVEMENT

The costs of renovating leased property are capitalized in consideration of the fact that, for the duration of the lease, the lessee company has control over and enjoys the future economic benefits of the assets. These costs, classified among "Other Assets" as required by the above 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.

EMPLOYEES' 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 27 December 2006, No. 296 ("Financial Act 2007") 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 scheme component the benefit cost is calculated separately for each scheme using the actuarial unitary credit projection method. Under this method, future outlays are projected based on an analysis of time series and the demographic curve, and the discounting of these cash flows using a market interest rate. Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

The expenses for the plan are recognized under staff expenses, 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 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 accumulated 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 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 measured. Specifically:

- Interest revenues are recognized on an accrual basis, using the contractual interest rate or the effective interest rate where the amortized cost method is applied;

- Default interest, if any is contractually provided for, is recognized in the Income Statement only upon collection;
- Dividends are recognized in the income statement when their distribution is authorized;
- Fee and commission income for revenues from services is recognized, in accordance with the terms of the relevant agreements, 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 vs. the fair value is recognized in the Income Statement over the transaction duration through 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 the management and monitoring of risk allow 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 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 is used which is defined as "official", as at the closure of the reference period.

In the case of financial instruments for which the bid-ask spread is immaterial, or for financial assets and liabilities capable of offsetting market risk, a "mid price" is used, i.e. the average market price (on the last day of the reference period) instead of the bid or ask price.

Where there is no active, liquid market, the fair value of financial instruments is 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 S.A.), 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 parameter.

Derivative contracts are measured using specific calculation algorithms and specific numerical procedures according to the type of the different categories of transactions.

Stocks are measured considering the direct transactions, that is, significant transactions on the security registered in a sufficiently short timeframe with respect to the time of measurement and in constant market conditions, comparable transactions by companies operating in the same sector and supplying the same type of products/services as the associated company being evaluated provides, application of the average of significant stock exchange multiples of companies of a comparable financial size to the financial aggregates of the investee and, finally, financial, income and equity measurement methods.

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:

- The fair values of 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 their book value as initially recognized and net of collective/individual writedowns;
- The book value of non-performing loans (bad loans, unlikely-to-pay and past-due positions) is deemed to be a reasonable fair value approximation;
- the book value initially recognized of floating-rate and short-term fixed-rate securities is deemed a reasonable fair value approximation, due to the fact that it reflects both the change in rates and the measurement of the credit risk associated with the issuer. An analogous approach is applied for the fair value measurement of medium-/long-term fixed-rate securities and structured securities that are hedged 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 properties in the same geographical area and under the same conditions for leases 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 accumulated 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, Financial assets 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 is normally equal 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 or revenues that are directly attributable to the issue, acquisition or disposal of a financial instrument and that cannot be charged to the customer. These fees and commissions, which must be directly attributable to individual financial assets or liabilities, affect the original effective rate of return and cause the effective interest rate associated with the transaction to vary from the contractual interest rate. Transaction costs do not include costs and revenues that apply, indiscriminately, to more than one transaction and do not include components relating to events that could occur over the life of the instruments that are not certain at the time the instrument is initially prepared, such as: commissions for retrocession, failure to use a credit line, early repayment.

Moreover, 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 irrespectively of the subsequent financing of the transaction (such as, for example, arrangement fees and commissions).

With specific reference to loans, costs attributable to the financial instrument include commission paid to distribution channels, fees paid for advice/assistance regarding the organization and/or participation in syndicated loans, 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, fees and commissions for participation in syndicated transactions and brokerage fees linked to commissions paid by intermediation companies.

With regard 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.

For securities issued, amortized cost is calculated taking into account fees and commissions for placing debenture loans paid to third parties, legal expenses, fees paid to stock exchanges and fees paid to auditors for work done on each individual issue, while the amortized cost excludes fees and commissions paid to rating agencies, legal and advice/audit expenses for the annual update of prospectuses, expenses for the use of indexes and fees and commissions that arise during the life of the debenture loan issued.

Following initial measurement, they are measured at amortized cost, reporting effective interest rates that are higher or lower than the nominal rates. 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 embedded in the host financial instrument is separated and recognized separately.

Hedged financial assets and liabilities, for which changes in fair value with respect to the hedged risk are recognized in the income statement, are not measured at amortized cost. However, the financial instrument is once again measured at amortized cost where the hedge terminates. From that moment, previously recognized changes in fair value are amortized, calculating the new effective interest rate that takes account of the value of the loan adjusted for the fair value of the hedged item, up to the originally scheduled expiry of the hedge. Moreover, as previously stated in the section on 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.

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.

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.

Then, the collective impairment value of sensitive loans is 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 Basel 2 prudential supervision perspective. 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.

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 are tested for impairment if there is evidence that the book value of the asset can no longer be recovered.

The recoverable value is calculated for each single asset, except in case this asset generates cash flows that are not widely independent of those generated by other assets or groups of assets.

If the book value of an asset is higher than its recoverable value, that asset is impaired and consequently written down to 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 organizational 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.

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 2017, Crédit Agricole Cariparma acquired shares in Fiere di Parma from the Municipality and the Province of Parma, amounting to 17.0% of its capital. Subsequent to this transaction, Crédit Agricole Cariparma holds 35.85% of Fiere di Parma share capital and, therefore, this equity investment has been reclassified from the financial assets available for sale category to the equity investments one.

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) on 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 or current events or transactions reflecting the assumptions that market counterparties would use to measure the asset).

  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.

Based on the above, the value of a portfolio of OTC derivatives that are in force with a market counterparty, is equal to the value of the same risk-free portfolio less the CVA plus the DVA.

As provided for by IFRS13, in certain conditions, risk mitigation tools may be used, such as ISDA master agreements and Credit Support Annexes (CSA).

By signing ISDA Master Agreements, which are framework agreements that amount to the reference international standard on OTC derivatives, 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 of an amount equal to the mark-to-market value of the exposure as collateral.

Such collateral allows the present exposure and the subsequent risk to be reduced and provides, on a regular basis, for the exposure to be recalculated in order to verify that the deposited amount is consistent.

In accordance with IFRS 13, the Crédit Agricole Italia Banking Group has adopted a model implemented by the Parent Company Crédit Agricole SA; in addition to the effects of any changes in the counterparty's creditworthiness (Credit Valuation Adjustment – CVA), this model also expresses any changes in the Group's creditworthiness (Debit Value Adjustment – DVA).

In accordance with the model, the calculation of the CVA depends on the exposure, on the probability of default (PD) and on the Loss Given Default (LGD) of the counterparties.

This model provides for the use of a forward-looking PD as a function of the type of counterparty, to which a CDS spread or a CDS proxy is assigned. For this purpose, the external counterparties are classified into three categories:

- the first category includes the counterparties for which CDS input parameters are directly observable on 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 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 2017, the CVA value for Crédit Agricole Cariparma, calculated in accordance with the method reported above, was Euro 7.2 million.

Similarly, as at 31 December 2017, the DVA value was Euro 0.4 million.

The difference between the CVA and DVA amounts as calculated, equal to Euro 6.8 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 market inputs.

Specifically, fixed-rate bonds relating to financial assets or liabilities are measured using the discounted cash flow method pursuant to the security contractual scheme; floating-rate bonds are measured by discounting back future cash flows estimated on the basis of the forward rates with the application of index-linking parameter.

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 Department 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 inputs 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 inputs 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 Department assesses whether transfers between fair value levels have occurred and reviews the fair value categorization at each reporting date.

The Finance Department moves financial instruments from Level 1 to Level 2 only in case of financial instruments that are quoted in a regulated but not active market and that can be measured using the Group's internal standard pricing models; it 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; finally, it moves financial instruments from Level 3 to Level 2 in case of equity instruments that are not listed on any active market, for which, in the period, inputs observable on the market became available (such as prices set within comparable transactions on the same instrument by and between unrelated, knowledgeable and informed parties).

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	31.12.2017			31.12.2016		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	1	61,215	858	3	82,716	552
2. Financial assets designated at fair value	-	-	-	-	-	-
3. Financial assets available for sale	2,477,001	152,350	5,114	3,998,124	-	179,102
4. Hedging derivatives	-	413,546	-	-	558,160	-
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible Assets	-	-	-	-	-	-
Total	2,477,002	627,111	5,972	3,998,127	640,876	179,654
1. Financial liabilities held for trading	-	67,920	-	-	93,853	-
2. Net Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	227,118	184,688	-	255,479	340,503
Total	**-**	**295,038**	**184,688**	**-**	**349,332**	**340,503**

Key:
L1: Level 1
L2: Level 2
L3: Level 3

The impact resulting from applying CVA and DVA on the fair value measurement of derivatives held for trading came to Euro 6,793 thousand.

In the 2017 Financial Statements of Crédit Agricole Cariparma, the shareholding in the Bank of Italy was reclassified from Level 3 to Level 2, based on the value expressed by the transactions made by several market players on a considerable part of the share capital of the Bank of Italy. The sales were made at nominal value, which is equal to the book value (Euro 25,000 per share).

Since in the reporting period, inputs observable on the market became available (such as prices set within comparable transactions on the same instrument by and between unrelated, knowledgeable and informed parties), the shareholding was reclassified from Level 3 to Level 2.

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	**552**	**-**	**179,102**	**-**	**-**	**-**
2. Increases	**389**	**-**	**26,314**	**-**	**-**	**-**
2.1 Purchases	81	-	22,732	-	-	-
2.2 Profits recognized in:	-	-	-	-	-	-
2.2.1 Income Statement	306	-	2,290	-	-	-
- of which: Capital gains	306	-	2,290	-	-	-
2.2.2 Equity	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	2	-	1,292	-	-	-
3. Decreases	**83**	**-**	**200,302**	**-**	**-**	**-**
3.1 Sales	83	-	27,361	-	-	-
3.2 Redemptions	-	-	2,083	-	-	-
3.3 Losses recognized in:	-	-	-	-	-	-
3.3.1 Income Statement	-	-	18,508	-	-	-
- of which Capital losses	-	-	8	-	-	-
3.3.2 Equity	X	X	-	-	-	-
3.4 Transfers to other levels	-	-	152,350	-	-	-
3.5 Other decreases	-	-	-	-	-	-
4. Closing Balance	**858**	**-**	**5,114**	**-**	**-**	**-**

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	Net Financial liabilities designated at fair value	Hedging derivatives
1. Opening balance	**-**	**-**	**340,503**
2. Increases	**-**	**-**	**29,567**
2.1 Issues	-	-	28,333
2.2 Losses recognized in:	-	-	-
2.2.1 Income Statement	-	-	1,234
- of which Capital losses	-	-	1,234
2.2.2 Equity	X	X	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**-**	**-**	**185,382**
3.1 Redemptions	-	-	178,766
3.2 Repurchases	-	-	-
3.3 Profits recognized in:	-	-	-
3.3.1 Income Statement	-	-	6,616
- of which Capital gains	-	-	6,616
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing Balance	**-**	**-**	**184,688**

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	31.12.2017				31.12.2016			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Investments held to maturity	1,569,990	1,570,332	-	19,982	-	-	-	-
2. Loans to banks	10,550,970	-	10,550,970	-	6,384,763	-	6,384,763	-
3. Loans to Customers	29,799,716	-	-	31,428,613	28,915,280	-	-	30,616,284
4. Investment property	8,019	-	-	20,973	8,273	-	-	20,839
Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	41,928,695	1,570,332	10,550,970	31,469,568	35,308,316	-	6,384,763	30,637,123
1. Due to banks	7,791,592	-	7,791,592	-	6,089,790	-	6,089,790	-
2. Due to Customers	26,124,339	-	26,124,339	-	23,426,472	-	23,426,472	-
3. Debt securities issued	7,990,404	-	7,772,279	387,099	7,590,090	-	7,223,435	339,056
4. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	41,906,335	-	41,688,210	387,099	37,106,352	-	36,739,697	339,056

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 the financial statements of Crédit Agricole Cariparma.

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 CASH AND CASH EQUIVALENTS: BREAKDOWN

	31.12.2017	31.12.2016
a) Cash	155,370	151,933
b) Demand deposits with Central Banks	-	-
Total	**155,370**	**151,933**

Section 2 – Financial assets held for trading – Item 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY TYPE

Items/Values	31.12.2017			31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance-sheet assets						
1. Debt securities	1	-	2	3	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	1	-	2	3	-	-
2. Equity securities	-	-	-	-	-	-
3. Units of collective investment undertakings	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements for lending purposes	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**1**	**-**	**2**	**3**	**-**	**-**
B. Derivatives						
1. Financial Derivatives	-	61,215	856	-	82,716	552
1.1 held for trading	-	61,215	856	-	82,716	552
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	**-**	**61,215**	**856**	**-**	**82,716**	**552**
Total (A+B)	**1**	**61,215**	**858**	**3**	**82,716**	**552**

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

Items/Values	31.12.2017	31.12.2016
A. On-balance-sheet assets		
1. Debt securities	3	3
a) Governments and Central Banks	1	3
b) Other public administration bodies	-	-
c) Banks	-	-
c) Other issuers	2	-
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 administration bodies	-	-
c) Banks	-	-
c) Other parties	-	-
Total A	3	3
B. Derivatives		
a) Banks	-	-
- fair value	8,795	9,037
b) Customers	-	-
- fair value	53,276	74,231
Total B	62,071	83,268
Total (A+B)	62,074	83,271

Section 4 – Financial assets available for sale – Item 40

4.1 FINANCIAL ASSETS AVAILABLE FOR SALE: BREAKDOWN BY TYPE

Items/Values	31.12.2017			31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	2,464,251	-	-	3,984,824	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	2,464,251	-	-	3,984,824	-	-
2. Equity securities	12,750	152,350	4,868	13,300	-	178,746
2.1 Designated at fair value	12,750	152,350	4,466	13,300	-	174,344
2.2 Measured at cost	-	-	402	-	-	4,402
3. Units of collective investment undertakings	-	-	246	-	-	356
4. Loans	-	-	-	-	-	-
Total	2,477,001	152,350	5,114	3,998,124	-	179,102

The equity securities held and designated as level 1 fair value consist of Unipol SAI stocks that were assigned to Crédit Agricole Cariparma at maturity of the convertible bond (which, in 2014, was recognized in the “Financial assets designated at fair value” category).

Crédit Agricole Indosuez Fiduciaria S.p.A. (book value Euro 400 thousand), it is the main equity security measured at 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 market, there were no recent transactions, similar securities could not be found adequate measurement models could not be properly applied.

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

Items/Values	31.12.2017	31.12.2016
1. Debt securities	**2,464,251**	**3,984,824**
a) Governments and Central Banks	2,464,251	3,984,824
b) Other public administration bodies	-	-
c) Banks	-	-
c) Other issuers	-	-
2. Equity securities	**169,968**	**192,046**
a) Banks	152,350	152,350
c) Other issuers	17,618	39,696
- Insurance undertakings	12,749	13,300
- Financial companies	1,849	8,089
- Non-financial corporations	3,020	18,307
- Other	-	-
3. Units of collective investment undertakings	**246**	**356**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public administration bodies	-	-
c) Banks	-	-
c) Other parties	-	-
Total	**2,634,465**	**4,177,226**

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 2017, securities in the micro-hedge portfolio for interest rate risk amounted to Euro 2,195 million and securities in the micro-hedge portfolio for price risk amounted to Euro 269 million.

Section 5 – Investments held to maturity – Item 50

5.1 INVESTMENTS HELD TO MATURITY: BREAKDOWN BY TYPE

Type of transactions/Values	31.12.2017				31.12.2016			
	Book value	*Fair value*			Book value	*Fair value*		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	1,569,990	1,570,332	-	19,982	-	-	-	-
1.1 Structured Securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	1,569,990	1,570,332	-	19,982	-	-	-	-
2. Loans	-	-	-	-	-	-	-	-
Total	**1,569,990**	**1,570,332**	**-**	**19,982**	**-**	**-**	**-**	**-**

5.2 INVESTMENTS HELD TO MATURITY: BREAKDOWN BY DEBTOR/ISSUER

Type of transactions/Values	31.12.2017	31.12.2016
1. Debt securities	**1,569,990**	**-**
a) Governments and Central Banks	1,550,008	-
b) Other public administration bodies	-	-
c) Banks	-	-
c) Other issuers	19,982	-
2. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public administration bodies	-	-
c) Banks	-	-
c) Other parties	-	-
Total	**1,569,990**	**-**
Total fair value	**1,590,314**	**-**

Section 6 – Loans to banks – Item 60

6.1 LOANS TO BANKS: BREAKDOWN BY TYPE

Type of transactions/Values	31.12.2017				31.12.2016			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Claims on Central Banks	5,330,368	-	5,330,368	-	327,894	-	327,894	-
1. Fixed-term deposits	-	X	X	X	-	X	X	X
2. Reserve requirement	5,327,641	X	X	X	327,894	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	2,727	X	X	X	-	X	X	X
B. Loans to banks	5,220,602	-	5,220,602	-	6,056,869	-	6,056,869	-
1. Loans	5,220,602	-	5,220,602	-	6,056,869	-	6,056,869	-
1.1 Current accounts and demand deposits	201,580	X	X	X	292,013	X	X	X
1.2 Fixed-term deposits	3,788,522	X	X	X	5,160,711	X	X	X
1.3 Other loans:	1,230,500	X	X	X	604,145	X	X	X
1.3.1 Repurchase agreements for lending purposes	678,311	X	X	X	-	X	X	X
1.3.2 Finance leases	-	X	X	X	-	X	X	X
1.3.3 Other	552,189	X	X	X	604,145	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-
2.1 Structured Securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	-	X	X	X	-	X	X	X
Total	10,550,970	-	10,550,970	-	6,384,763	-	6,384,763	-

Key:
FV = fair value
VB = book value

The "Reserve Requirement" item reports also the portion consisting of "eligible assets for refinancing". The increase vs. 2016 resulted from higher funding from Customers.

The "Fixed-term Deposits" item reports also the liquidity reserve requirement at the Bank of Italy. As at 31 December 2017, there were no non-performing loans to banks.

6.2 LOANS TO BANKS WITH SPECIFIC HEDGES

As at 31 December 2017, there was no Loans to banks with specific hedges.

6.3 FINANCE LEASES

As at 31 December 2017, there was no Loans to banks resulting from finance lease transactions.

Section 7 – Loans to customers – Item 70

7.1 LOANS TO CUSTOMERS: BREAKDOWN BY TYPE

Type of transactions/Values	31.12.2017						31.12.2016					
	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	27,762,253	1,865	1,880,123	-	-	31,274,264	26,677,509	-	2,077,204	-	-	30,455,717
1. Current accounts	1,701,558	-	462,688	X	X	X	1,665,757	-	485,213	X	X	X
2. Repurchase agreements for lending purposes	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgage loans	18,434,421	-	1,265,549	X	X	X	17,640,280	-	1,386,241	X	X	X
4. Credit cards, personal loans and loans repaid by automatic deductions from salaries/pensions	135,238	-	6,169	X	X	X	175,149	-	7,745	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7 Other loans	7,491,036	1,865	145,717	X	X	X	7,196,323	-	198,005	X	X	X
Debt securities	155,475	-	-	-	-	154,349	160,567	-	-	-	-	160,567
8 Structured Securities	-	-	-	X	X	X	-	-	-	X	X	X
9 Other debt securities	155,475	-	-	X	X	X	160,567	-	-	X	X	X
Total	27,917,728	1,865	1,880,123	-	-	31,428,613	26,838,076	-	2,077,204	-	-	30,616,284

Key:
L1 = level 1
L2 = level 2
L3 = level 3

7.2 LOANS TO CUSTOMERS: BREAKDOWN BY DEBTOR/ISSUER

Type of transactions/Values	31.12.2017			31.12.2016		
	Performing	Non-performing		Performing	Non-performing	
		Purchased	Other		Purchased	Other
1. Debt securities:	**155,475**	**-**	**-**	**160,567**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public administration bodies	-	-	-	-	-	-
c) Other issuers	155,475	-	-	160,567	-	-
- non-financial corporations	-	-	-	-	-	-
- financial companies	-	-	-	-	-	-
- insurance undertakings	155,475	-	-	160,567	-	-
- other	-	-	-	-	-	-
2. Loans to:	**27,762,253**	**1,865**	**1,880,123**	**26,677,509**	**-**	**2,077,204**
a) Governments	60,901	-	-	33,250	-	-
b) Other public administration bodies	60,824	-	-	56,372	-	1
c) Other parties	27,640,528	1,865	1,880,123	26,587,887	-	2,077,203
- non-financial corporations	10,076,653	-	1,467,006	9,928,067	-	1,633,674
- financial companies	5,407,695	-	32,752	5,168,376	-	32,506
- insurance undertakings	66,371	-	18	56,381	-	-
- other	12,089,809	1,865	380,347	11,435,063	-	411,023
Total	**27,917,728**	**1,865**	**1,880,123**	**26,838,076**	**-**	**2,077,204**

7.3 LOANS TO CUSTOMERS: ASSETS IN MICRO-HEDGE PORTFOLIOS

As at 31 December 2017, securities in the micro-hedge portfolio for interest rate risk amounted to Euro 155,475 thousand.

7.4 FINANCE LEASES

As at 31 December 2017, there were no loans to customers resulting from finance lease transactions.

Section 8 – Hedging derivatives – Item 80

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

	Fair Value 31.12.2017			Notional value as at 31.12.2017	*Fair Value* 31.12.2016			Notional value as at 31.12.2016
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial Derivatives	-	413,546	-	11,016,769	-	558,160	-	12,587,534
1) Fair value	-	413,546	-	11,016,769	-	558,160	-	12,587,534
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	413,546	-	11,016,769	-	558,160	-	12,587,534

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

Transactions/Type of hedge	Fair value						Cash flows		Investments in foreign operations
	Micro-hedging					Generic (macro)	Micro-hedging	Macro-hedging	
	Interest Rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale	6,715	-	-	905	-	X	-	X	X
2. Loans and Receivables	39,792	-	-	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	46,507	-	-	905	-	-	-	-	-
1. Financial liabilities	366,134	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	366,134	-	-	-	-	-	-	-	
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 53,270 thousand for hedging own bonds issued and Euro 312,864 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 BREAKDOWN BY HEDGED PORTFOLIO

Fair value change of hedged assets/Values	31.12.2017	31.12.2016
1. Positive adjustment	**17,338**	**5,088**
1.1 of specific portfolios:	17,338	5,088
a) loans	17,338	5,088
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	**17,338**	**5,088**

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

Type of transaction/Values	31.12.2017	31.12.2016
Loans and Receivables	1,249,305	674,399
Assets available for sale	-	-
Portfolio	-	-

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 Real Estate Italia S.r.l.	Parma, Italy		100.00	
Cassa di Risparmio di Rimini S.p.A.	Rimini, Italy		95.30	
Cassa di Risparmio di Cesena S.p.A.	Cesena, Italy		95.30	
Cassa di Risparmio di San Miniato S.p.A.	San Miniato, Italy		95.30	
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				
Fiere di Parma S.p.A.	Parma, Italy		35.85	
MondoMutui Cariparma S.r.l.	Milan, Italy		19.00	

10.5 EQUITY INVESTMENTS: CHANGES FOR THE YEAR

	31.12.2017	31.12.2016
A. Opening balance	**1,311,391**	**1,310,009**
B. Increases	**182,313**	**1,730**
B.1 Purchases	182,313	1,730
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**-**	**348**
C.1 Sales	-	-328
C.2 Value adjustments	-	-20
C.3 Other changes	-	-
D. Closing balance	**1,493,704**	**1,311,391**
E. Total writebacks	**-**	**-**
F. Total adjustments	**-**	**-**

The increase of Euro 182 million mainly resulted from the purchase from the Interbank Deposit Protection Fund – Voluntary Scheme of 95.3% the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A., with an acquisition price of Euro 130 million.

In 2017, the Bank subscribed a share capital increase of Euro 23 million in the investee Calit. Moreover, in 2017, Crédit Agricole Cariparma increased its equity investment in Fiere di Parma to 35.85%, which entailed Euro 22.7 million reclassification from financial asset available for sale.

Section 11 – Property, plant and equipment – Item 110

11.1 OPERATING PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	31.12.2017	31.12.2016
1. Owned	**325,414**	**297,451**
a) land	81,990	82,194
b) buildings	218,392	192,208
c) furniture	13,348	12,695
d) electronic equipment	3,677	4,754
e) other	8,007	5,600
2. Acquired under finance leases	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total	**325,414**	**297,451**

11.2 INVESTMENT PROPERTY: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	31.12.2017				31.12.2016			
	Book value	*Fair value*			Book value	*Fair value*		
		L1	L2	L3		L1	L2	L3
1. Owned	8,019	-	-	20,973	8,273	-	-	20,839
a) land	3,013	-	-	11,508	2,989	-	-	11,440
b) buildings	5,006	-	-	9,465	5,284	-	-	9,399
2. Acquired under finance leases	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	8,019	-	-	20,973	8,273	-	-	20,839

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	Totale
A. Opening gross balance	**82,194**	**352,794**	**79,416**	**52,467**	**45,701**	**612,572**
A.1 Total net writedowns	-	160,585	66,721	47,713	40,101	315,120
A.2 Opening net balance	82,194	192,209	12,695	4,754	5,600	297,452
B. Increases:	**-**	**33,798**	**3,170**	**1,688**	**3,576**	**42,232**
B.1 Purchases	-	-	3,170	1,688	3,576	8,434
B.2 Capitalized improvement expenses	-	33,798	-	-	-	33,798
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	-	-	-	-	-	-
C. Decreases:	**203**	**7,615**	**2,517**	**2,765**	**1,170**	**14,270**
C.1 Sales(*)	203	281	1	9	3	497
C.2 Depreciation	-	7,334	1,050	784	-342	8,826
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	-	-	1,466	1,972	1,509	4,947
D. Closing net balance	**81,991**	**218,392**	**13,348**	**3,677**	**8,006**	**325,414**
D.1 Total net writedowns	-	167,919	67,707	48,480	39,730	323,836
D.2 Closing gross balance	81,991	386,311	81,055	52,157	47,736	649,250
E. Measurement at cost	-	-	-	-	-	-
(*) of which for business combinations:						
- gross value	-	-	*65*	*26*	*31*	*122*
- Provision for accumulated depreciation	-	-	*64*	*17*	*29*	*110*

11.6 INVESTMENT PROPERTY: CHANGES FOR THE YEAR

	31.12.2017	
	Land	Buildings
A. Opening balance	**2,989**	**5,283**
B. Increases	**144**	**99**
B.1 Purchases	-	-
B.2 Capitalized improvement expenses	144	99
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	**120**	**376**
C.1 Sales	120	227
C.2 Depreciation	-	149
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	**3,013**	**5,006**
E. Designated at fair value	**11,508**	**9,465**

Section 12 – Intangible assets – Item 120

12.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

Assets/Values	31.12.2017		31.12.2016	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	922,340	X	922,340
A.2 Other intangible assets	95,464	-	111,824	-
A.2.1 Assets measured at cost:	95,464	-	111,824	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	95,464	-	111,824	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	95,464	922,340	111,824	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: internally generated		Other intangible assets: other		Totale
		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	-	-	-	138,834	-	138,834
A.2 Opening net balance	922,340	-	-	111,824	-	1,034,164
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	-	-	-	**16,360**	-	**16,360**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	16,360	-	16,360
- Amortization	X	-	-	16,360	-	16,360
- Writedowns:	-	-	-	-	-	-
+ Equity	X	-	-	-	-	-
+ Income Statement	-	-	-	-	-	-
C.3 Fair Value losses	-	-	-	-	-	-
- in Equity	X	-	-	-	-	-
- in the Income Statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing net balance	**922,340**	**-**	**-**	**95,464**	**-**	**1,017,804**
D.1 Total net value adjustments	-	-	-	155,194	-	155,194
E. Closing gross balance	**922,340**	**-**	**-**	**250,658**	**-**	**1,172,998**
F. Measurement at cost	-	-	-	-	-	-

12.3 OTHER INFORMATION

Impairment testing of intangible assets with finite useful life

Within the purchase transactions made in 2007 and 2011 by Crédit Agricole Cariparma, 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 2017 it was verified that the value of each of the elements making up the intangible assets acquired within the scope of the transactions made in 2007, which was 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 2017, the cost of credit (the 2019-2017 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 commission Income, the present value of commission income was recalculated taking account of the expected level of 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 48,208 thousand as at 31 December 2017.

At the end of 2017 it was verified that the value of each of the elements making up intangible assets, which were recognized within the scope of 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 the 2011-2017 period and for and 2018 (budget), as well as the relevant perspective forecasts to 2026, the year when amortization will end, were analyzed.
- The total value of the intangible assets acquired was found higher than their book value, amounting to Euro 47,223 thousand as at 31 December 2017.

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 absorbed own funds.

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 0.43% (rate of 10Y Bunds in December 2017) and 3.60% (average yield in the last 10 years of the Italian Government bond 10Y BTP and 5.26% threshold rate exceeding which impairment would occur);
- Beta: variation range between 1.28 (average Beta of a sample of medium-sized listed Italian Banks) and 1.20; The sensitivity analysis had a favourable outcome;
- risk premium: variation range between 3.10% (1900-2016 geometric mean, source “Equity Risk Premiums (ERP): Determinants, Estimation and Implications – The 2017 Edition”, Aswath Damodaran, March 2017) and the maximum rate so that the test result is positive (5.94%).

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 (14.4%), 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 by 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.

For Crédit Agricole Leasing Italia, capital absorption was calculated using a 6.0% parameter. In this situation, no need for impairment adjustments was 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: BREAKDOWN

	(*)	REVERSAL TIMEFRAME						TAX			
Deductible temporary differences		2018	2019	2020	Beyond	Undetermined reversal	Total recognized	Italian corporate income tax (IRES)	IRES ADDITIONAL TAX	Italian Regional Tax on Productive Activities (IRAP)	TOTAL
Value adjustments of loans[1]	From 27.50 to 33.08	77,430	92,916	92,916	410,578	-	673,840	161,722	23,584	25,250	210,556
Adjustments of valuation of securities	33.08	-	-	-	-	287	287	69	10	16	95
Provisions for risks and charges											
- legal disputes as defendant and legal actions to revoke transactions in insolvency proceedings	27.50	29,326	5,450	2,149	1,636	-	38,561	9,255	1,350	-	10,605
- signature loans	27.50	-	-	-	-	5,424	5,424	1,302	189	-	1,491
- staff expenses	From 27.50 to 33.08	16,644	10,029	6,388	2,996	9,615	45,672	10,961	1,599	1,768	14,328
- other reasons	From 27.50 to 33.08	1,099	-	-	-	23,551	24,650	5,916	863	1,028	7,807
Recognition of goodwill for tax purposes	33.08	92,095	147,204	95,397	614,452	-	949,148	227,795	33,220	52,963	313,978
Other costs or provisions not yet deducted	From 27.50 to 33.08	932	932	932	26,823	40,737	70,356	16,885	2,463	1,514	20,862
Total by reversal year		**217,526**	**256,531**	**197,782**	**1,056,485**	**79,614**	**1,807,938**	**271,044**	**39,528**	**82,539**	**579,922**

(1) For adjustments since 2013, also IRAP has been applying.
(*) Indicates the percentage applied in calculating deferred tax liabilities and assets.

13.2 DEFERRED TAX LIABILITIES: BREAKDOWN

	(*)	REVERSAL TIMEFRAME						TAXES			
Taxable temporary differences		2018	2019	2020	Beyond	Undetermined reversal	Total recognized	Italian corporate income tax (IRES)	IRES ADDITIONAL TAX	Italian Regional Tax on Productive Activities (IRAP)	TOTAL
Realized capital gains	From 27.50 to 33.08	8,990	8,943	5,218	2,803	-	25,954	6,229	908	-	7,137
Assets not recognized for tax purposes	From 27.50 to 33.08	1,679	2,991	1,965	32,332	74,714	113,681	27,070	3,948	4,448	35,466
Tax-relevant depreciation and amortization	From 27.50 to 33.08	-	-	-	-	52	52	12	2	3	17
Total by reversal year		**10,669**	**11,934**	**7,183**	**35,135**	**74,766**	**139,687**	**33,311**	**4,858**	**4,451**	**42,620**

(*) Indicates the percentage applied in calculating deferred tax liabilities and assets.

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

	31.12.2017	31.12.2016
1. Opening balance	**626,708**	**658,589**
2. Increases	**11,524**	**24,820**
2.1 Deferred tax assets recognized in the year	10,880	23,558
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) writebacks	-	-
d) other	10,880	23,558
2.2 New taxes or increases in tax rates	33	-
2.3 Other increases	611	1,262
3. Decreases	**69,485**	**56,701**
3.1 Deferred tax assets derecognized in the year	67,744	56,208
a) reversals	67,744	56,208
b) writedowns for supervening non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	17
3.3 Other decreases	1,741	476
a) conversion of deferred tax assets into tax credits pursuant to It. Law 214/2011	-	-
b) other	1,741	476
4. Closing balance	**568,747**	**626,708**

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 Italian Law 214/2011 (recognized in the Income Statement)

	31.12.2017	31.12.2016
1. Opening balance	**574,385**	**616,902**
2. Increases	**48**	**63**
3. Decreases	**49,836**	**42,581**
3.1 Reversals	49,832	42,564
3.2 Conversion into tax receivables	-	-
a) from losses for the year	-	-
b) from tax losses	-	-
3.3 Other decreases	4	17
4. Closing balance	**524,597**	**574,384**

Deferred tax assets pursuant to Italian Law 214/2011 were also recognized directly in equity for an amount of Euro 1,270 thousand. Therefore, total deferred tax assets that can be converted into tax receivables pursuant to Italian Law 214/2011 came to Euro 525,867 thousand.

13.4 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN THE INCOME STATEMENT)

	31.12.2017	31.12.2016
1. Opening balance	**29,092**	**26,866**
2. Increases	**8,696**	**4,756**
2.1 Deferred tax liabilities recognized in the year	3,600	4,756
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	3,600	4,756
2.2 New taxes or increases in tax rates	1	-
2.3 Other increases	5,095	-
3. Decreases	**5,867**	**2,530**
3.1 Deferred tax liabilities derecognized in the year	5,864	2,518
a) reversals	5,864	2,518
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	1
3.3 Other decreases	3	11
4. Closing balance	**31,921**	**29,092**

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)

	31.12.2017	31.12.2016
1. Opening balance	**8,298**	**6,756**
2. Increases	**8,263**	**3,811**
2.1 Deferred tax assets recognized in the year	106	3,511
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	106	3,511
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	8,157	300
3. Decreases	**5,586**	**2,269**
3.1 Deferred tax assets derecognized in the period	3,316	106
a) reversals	3,316	106
b) writedowns for supervening non-recoverability	-	-
b) due to change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	2,270	2,163
4. Closing balance	**10,975**	**8,298**

(*) Higher taxes mainly resulted from the increase in the provision for Employee severance benefits, whereas lower ones resulted from lower writedowns of AFS securities.

13.6 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN EQUITY)

	31.12.2017	31.12.2016
1. Opening balance	**13,414**	**43,849**
2. Increases	**5,969**	**479**
2.1 Deferred tax liabilities recognized in the period	5,581	479
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	5,581	479
2.2 New taxes or increases in tax rates	1	-
2.3 Other increases	387	-
3. Decreases	**8,684**	**30,914**
3.1 Deferred tax liabilities derecognized in the year	8,018	30,913
a) reversals	8,018	30,913
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	1
3.3 Other decreases	666	-
4. Closing balance	**10,699**	**13,414**

(*) The decrease in taxes reports Euro 7,538 thousand referring to the sale of AFS securities

Section 15 – Other assets – Item 150

15.1 OTHER ASSETS: BREAKDOWN

	31.12.2017	31.12.2016
Sundry debits in process	20,694	27,720
Revenue stamps and other instruments	3	236
Items being processed	50,636	31,465
Accrued income not allocated to other items	20,328	6,127
Prepaid expenses not allocated to other items	91,237	78,257
Protested bills and cheques	1,884	652
Leasehold improvements	12,320	16,222
Tax advances paid on behalf of third parties	41,530	47,454
Sundry items	112,977	99,556
Total	**351,609**	**307,689**

LIABILITIES

Section 1 – Due to banks – Item 10

1.1 DUE TO BANKS: BREAKDOWN BY TYPE

Type of transactions/Values	31.12.2017	31.12.2016
1. Due to central banks	**4,200,000**	**1,900,000**
2. Due to banks	**3,591,592**	**4,189,790**
2.1 Current accounts and demand deposits	641,974	103,680
2.2 Fixed-term deposits	2,118,122	3,450,233
2.3 Loans	827,327	628,408
2.3.1 Repurchase agreements for funding purposes	-	-
2.3.2 Other	827,327	628,408
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other due and payables	4,169	7,469
Total	**7,791,592**	**6,089,790**
Fair value – Level 1	**-**	**-**
Fair value – Level 2	**7,791,592**	**6,089,790**
Fair value – Level 3	**-**	**-**
Total fair value	**7,791,592**	**6,089,790**

The "Due to central banks" item reports the refinancing amount obtained within TLTRO2 (1st and 2nd tranches).

1.2 BREAKDOWN OF ITEM 10 "DUE TO BANKS": SUBORDINATED LIABILITIES

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in the rep. currency	Book value
Subordinated deposit	28.06.2017	28.06.2027	At maturity	3M Euribor + 219 b.p.	Euro	250,000	250,039
Subordinated deposit	11.12.2017	11.12.2027	At maturity	3M Euribor + 162 b.p.	Euro	400,000	400,288

1.3 BREAKDOWN OF ITEM 10 "DUE TO BANKS": STRUCTURED LIABILITIES

At the end of 2017, there were no structured liabilities due to banks.

1.4 DUE TO BANKS IN MICRO-HEDGE PORTFOLIOS

At the end of 2017 there was no due to banks with specific hedges.

1.5 LIABILITIES IN RESPECT OF FINANCE LEASES

As at 31 December 2017, there was no due to banks resulting from finance lease transactions.

Section 2 – Due to customers – Item 20

2.1 DUE TO CUSTOMERS: BREAKDOWN BY TYPE

Type of transactions/Values	31.12.2017	31.12.2016
1. Current accounts and demand deposits	25,079,131	22,350,150
2. Fixed-term deposits	911,621	909,454
3. Loans	3,474	4,867
3.1 Repurchase agreements for funding purposes	-	-
3.2 Other	3,474	4,867
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other due and payables	130,113	162,001
Total	**26,124,339**	**23,426,472**
Fair value – Level 1	**-**	**-**
Fair value – Level 2	**26,124,339**	**23,426,472**
Fair value – Level 3	**-**	**-**
Total fair value	**26,124,339**	**23,426,472**

2.2 BREAKDOWN OF ITEM 20 “DUE TO CUSTOMERS”: SUBORDINATED LIABILITIES

At the end of 2017, there were no subordinated liabilities due to Customers.

2.3 BREAKDOWN OF ITEM 20 “DUE TO CUSTOMERS”: STRUCTURED LIABILITIES

As at 31 December 2017, there were no structured liabilities due to Customers.

2.4 DUE TO CUSTOMERS IN MICRO-HEDGE PORTFOLIOS

As at 31 December 2017, there was no due to customers in the micro-hedge portfolio.

2.5 LIABILITIES IN RESPECT OF FINANCE LEASES

As at 31 December 2017, there was no due to customers resulting from finance lease transactions.

Section 3 – Debt securities issued – Item 30

3.1 DEBT SECURITIES ISSUED: BREAKDOWN BY TYPE

Type of securities/values	31.12.2017				31.12.2016			
	Book value	*Fair value*			Book value	*Fair value*		
A. Securities		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Bonds	7,602,124	-	7,771,052	-	7,249,173	-	7,221,501	-
1.1 Structured	-	-	-	-	-	-	-	-
1.2 other	7,602,124	-	7,771,052	-	7,249,173	-	7,221,501	-
2. Other securities	388,280	-	1,227	387,099	340,917	-	1,934	339,056
2.1 Structured	-	-	-	-	-	-	-	-
2.2 other	388,280	-	1,227	387,099	340,917	-	1,934	339,056
Total	7,990,404	-	7,772,279	387,099	7,590,090	-	7,223,435	339,056

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 2017, there were no subordinated debt securities issued.

3.3 DEBT SECURITIES ISSUED: SECURITIES IN MICRO-HEDGE PORTFOLIOS

As at 31 December 2017, securities in the micro-hedge portfolio for interest rate risk amounted to Euro 7,731 million.

Section 4 – Financial liabilities held for trading – Item 40

4.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN BY TYPE

Type of transactions/Values	31.12.2017					31.12.2016				
	NV	*Fair Value*			FV *	NV	*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	-	-	-	-	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		-	67,920	-			-	93,853	-	
1.1 Held for trading	X	-	67,920	-	X	X	-	93,853	-	X
1.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit Derivatives		-	-	-			-	-	-	
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**67,920**	**-**	**X**	**X**	**-**	**93,853**	**-**	**X**
Total (A+B)	**X**	**-**	**67,920**	**-**	**X**	**X**	**-**	**93,853**	**-**	**X**

Key:
FV* = fair value calculated excluding changes in value resulting from changes in the issuer's credit rating after the date of issue
NV: nominal or notional value

Section 6 – Hedging derivatives – Item 60

6.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF HEDGE AND BY HIERARCHY LEVEL

	Fair value 31.12.2017			Notional value as at 31.12.2017	*Fair value* 31.12.2016			Notional value as at 31.12.2016
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial Derivatives	-	227,118	184,688	8,720,275	-	255,479	340,503	5,828,000
1) Fair value	-	227,118	184,688	8,720,275	-	255,479	340,503	5,828,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**227,118**	**184,688**	**8,720,275**	**-**	**255,479**	**340,503**	**5,828,000**

6.2 HEDGING DERIVATIVES: BREAKDOWN BY HEDGED PORTFOLIO AND BY TYPE OF HEDGE

Transactions/Type of hedge	*Fair value*						Cash flows		Investments in foreign operations
	Micro-hedging					Generic (macro)	Micro-hedging	Macro-hedging	
	Interest Rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale	236,707	-	-	461	-	X	-	X	X
2. Loans and Receivables	20,276	-	-	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	**256,983**	-	-	**461**	-	-	-	-	-
1. Financial liabilities	154,362	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	**154,362**	-	-		-	-	-	-	-
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 125,830 thousand for hedging own bonds issued and Euro 28,532 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

Fair value change of hedged liabilities/Values	31.12.2017	31.12.2016
1. Increase in fair value of hedged financial liabilities	261,708	390,588
2. Decrease in fair value of hedged financial liabilities	-	-
Total	**261,708**	**390,588**

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 BREAKDOWN

Type of transaction/Values	31.12.2017	31.12.2016
Financial liabilities	8,495,700	7,181,300

Section 8 – Tax Liabilities – Item 80

Please, see Section 13 – Assets.

Section 10 – Other liabilities – Item 100

10.1 OTHER LIABILITIES: BREAKDOWN

	31.12.2017	31.12.2016
Trade payables	68,303	53,121
Amounts due to third parties	211,865	194,792
Credit transfers ordered and being processed	48,783	31,914
Amounts payable to tax authorities on behalf of third parties	46,154	60,224
Advances on loans to mature	23	45
Adjustments for illiquid items	73	-
Staff expenses	45,061	43,706
Uncapitalized accrued expenses	6,626	9,952
Deferred income not allocated to other items	73,366	67,015
Risk hedging for guarantees issued and commitments	5,424	4,404
Sundry items	128,054	152,111
Total	**633,732**	**617,284**

Section 11 – Employee severance benefits – Item 110

11.1 EMPLOYEE SEVERANCE BENEFITS: CHANGES FOR THE YEAR

	31.12.2017	31.12.2016
A. Opening balance	**99,111**	**97,710**
B. Increases	**930**	**4,747**
B.1 Provision for the year	930	1,401
B.2. Other changes	-	3,346
C. Decreases	**12,476**	**3,346**
C.1 Severance payments	12,015	3,209
C.2 Other changes	461	137
D. Closing balance	**87,565**	**99,111**
Total	**87,565**	**99,111**

11.2 OTHER INFORMATION

Information on the characteristics of defined-benefit plans and risks associated with them (IAS 19, paragraph 139)

Employee Severance Benefits

Pursuant to the Italian legislation, at the date of termination of his/her employment contract with a company, each employee is entitled to a severance package called “Trattamento di Fine Rapporto” (Employee Severance Benefits or with the Italian acronym TFR) equal to the sum of the Severance Benefits accrued for each year of work for the employer.

The benefit accrued each year is equal to 6.91% of the gross annual Pay. This rate is calculated dividing the ordinary pay by 13.5; to the resulting amount a 0.5% deduction is made and paid directly to the Italian National Social Security Institute (INPS) as pension contribution.

Moreover, as at 31 December of each year, the Provision for Employees’ Severance Benefits is subject to revaluation applying a fixed-rate of 1.5% plus 75% of the increase in the consumer price index for blue-collar and white-collar households for the year.

The revalued amount as calculated above is taxed at a 17% rate, as provided for by the Italian 2015 Stability Law (Italian Law No. 190 of 23 December 2014).

Pursuant to the applicable legislation, employees may ask for advances on their Severance Benefits accrued when the employment relation is still going on. This advance may be obtained only once during the employment relation, after at least 8 years on staff and up to 70% of the Employee Severance Benefits accrued as at the date of request.

With the entry into force of Italian 2007 Finance Act, concerning the Reform of Supplementary pension Schemes, the measurement of Employee Severance Benefits, in accordance with IAS 19 Revised, must take account of the impacts of these provisions, as well as of the guidelines for their calculation which were issued by the Italian National Association of Actuaries and by the Italian National Accounting Body.

Given that, in 2006, Crédit Agricole Cariparma had an average number of employees higher than 50, it has been considered that the portions of employee severance benefits accruing in the future will be paid to a separate entity (supplementary pension scheme, FONDINPS or to the Fund managed by the Italian State Treasury) irrespective of the employees' choice. It was specifically considered that the Fund managed by the Italian State Treasury through the Italian National Social Security Institute (INPS), pursuant to Article 1, paragraph 5, of the Italian 2007 Finance Act "*ensures that private sector employees receive the severance benefits as provided for in Article 2120 of the Italian Civil Code, in accordance with the contributions paid to the Fund*".

0.5% supplement to 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, on a yearly basis, an additional fixed revaluation equal to 2.75% to the employee severance benefits accrued since 1992. 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 Crédit Agricole Cariparma is given below:

Actuarial value of the obligation as at 1 Jan. 2017		**99,111**
a	Service cost	48
b	Interest cost	882
c	Transfer in/out	-94
d.1	Actuarial gains/losses from changes in financial assumptions	-113
d.2	Actuarial gains/losses from changes in demographic assumptions	-
d.3	Actuarial gains/losses from demographic experience	-255
e	Payments provided for by the Plan	-12,014
Actuarial value of the obligation as at 31 Dec. 2017		**87,565**

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;
- Company termination (resignation or dismissal);
- Requests for advances;
- The workers' future economic career (including the assumptions on promotion to higher positions);
- Performance of the actual purchasing power of money.

Specifically, the following assumptions were used:

a) DEMOGRAPHIC TECHNICAL BASES:

a.1 Annual 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 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 given by the Parent Company Crédit Agricole S.A., the rate adopted was IBOXX AA 0.91% (duration 7-10 years);

b.2 The cost of living index for white-collar and blue-collar households, required for the revaluation of the employee severance benefits amounts allocated to provision, was assumed at 1.75%, 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 31.12.2017	
Central assumption	+50 bp	-50 bp
87,565	84,669	90,626

Exclusion rate due to causes other than death of employees on staff

	Actuarial value of the obligation as at 31.12.2017	
Central assumption	+50 bp	-50 bp
87,565	89,440	85,791

Inflation rate

	Actuarial value of the obligation as at 31.12.2017	
Ipotesi centrale	+100 bp	-100 bp
87,565	87,163	87,002

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: BREAKDOWN

Items/Values	31.12.2017	31.12.2016
1 Company pension plans	15,131	16,377
2. Other provisions for risks and charges	109,284	131,692
2.1 legal disputes	39,661	39,834
2.2 staff expenses	45,925	54,523
2.3 other	23,698	37,335
Total	**124,415**	**148,069**

12.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES FOR THE YEAR

	Pension plans	Other provisions	Total
A. Opening balance	**16,377**	**131,692**	**148,069**
B. Increases	**532**	**34,274**	**34,806**
B.1 Provision for the year	-	34,265	34,265
B.2 Changes due to time	-	-	-
passing	146	9	155
B.3 Changes due to alterations	-	-	-
in the discount rate	-	-	-
B.4 Other changes	386	-	386
C. Decreases	**1,778**	**56,682**	**58,460**
C.1 Use in the year	1,778	48,787	50,565
C.2 Changes due to alterations in the discount rate	-	-	-
C.3 Other changes	-	7,895	7,895
D. Closing balance	**15,131**	**109,284**	**124,415**

12.3 COMPANY DEFINED-BENEFIT PENSION PLANS

1. Information on the characteristics of defined-benefit plans and risks associated with them

Through its Defined-Benefit Pension Plan, Crédit Agricole 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 Regulation of the Pension Fund.

As at today's date, in accordance with the above Regulation, the employees on staff are not entitled to the benefits provided by the Pension Fund.

These benefits may consist in a pension assigned directly to the person concerned, in a pension assigned indirectly to the surviving family of the person concerned dying either before or after retirement.

As at 31 December 2017, 253 people (116 women and 137 men) were the beneficiaries of Crédit Agricole Cariparma Pension Fund, to whom a gross annual supplementary pension is paid amounting to Euro 6,969.34.

The average age of Crédit Agricole Cariparma beneficiaries is 79.5 years.

2. Changes for the year in the defined-benefit plan net liabilities (assets) and in rights to repayment

As regard the various schemes mentioned above, the reconciliations for 2017 are given below, for Crédit Agricole Cariparma:

Actuarial value of the obligation as at 01.01.2017		**16,377**
a	Service cost	-
b	Interest cost	146
c.1	Actuarial gains/losses from changes in financial assumptions	-22
c.2	Actuarial gains/losses from changes in demographic assumptions	-
c.3	Actuarial gains/losses from demographic experience	408
d	Payments provided for by the Plan	-1,778
Actuarial value of the obligation as at 31 Dec. 2017		**15,131**

The value of the mathematical reserve is equal to the amount that the Management should have as at the measurement date, based on the assumptions used, in order to meet all the commitments undertaken towards the participants in the plan.

3. Disclosure of the fair value of the plan assets

This point does not apply because no assets covering the 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 used for the plan measurement are given below:
- 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, differentiated technical bases were used according to the age and gender of the member;
- The cost of living index for white-collar and blue-collar households, required for smoothing the annual pension instalments, was assumed at 1.75%;
- 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 0.91%.

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 aforementioned main assumptions are given below:

Discount rate

	Actuarial value of the obligation as at l 31.12.2017	
Central assumption	+50 bp	-50 bp
15,131	14,606	15,693

Mortality rate

	Actuarial value of the obligation as at 31.12.2017	
Central assumption	+20 bp	-20 bp
15,131	13,711	17,003

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 provisions allocated in 2016 by the Crédit Agricole Cariparma, 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 also included provisions for Credit Protection insurance policies pursuant to ISVAP (Italian Insurance Supervisory Authority) 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 Crédit Agricole Cariparma to reimburse the insurer 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 parties involved on various grounds in the specific transactions would be approximately Euro 35.8 million and Euro 4.08 million, respectively, 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 this dispute.

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, on the three transfers made, for approximately Euro 1.5 million, Euro 2.2 million and Euro 9.9 million, plus interest, respectively. Sui primi due, nel 2017, è stata emessa sentenza favorevole di secondo grado, cui l’Agenzia ha proposto appello in Cassazione, mentre sulla terza è stata per ora emessa solo sentenza favorevole di primo grado. 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.

A dispute started in 2014 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 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 first-instance judgement has confirmed the claim of the Agenzia delle Entrate as to the tax amount, while it overruled the penalty claim. Continuing such dispute was deemed appropriate, based on the valid arguments put forward, and, at the end of July 2016, an appeal was filed with the competent Court of second instance, against which the Agenzia delle Entrate submitted its counter-arguments

In December 2017, Sliders Srl – a fully-owned subsidiary of Crédit Agricole Cariparma subsequent to a complex transactions for the turnaround of the RDB Group – was served a verification notice, claiming payment of taxes for Euro 4.1 Mln and of penalties for Euro 3.7 Mln, plus interest. Within a complex transaction for the rescue of a large manufacturing company, in which the Italian banking system took part, Sliders Srl operated as the special-purpose entity for part of the overall transaction. Specifically, it acquired bank receivables that were then used for the subsequent capitalization of the company experiencing difficulties, laying down that the value that would be finally paid for the receivables acquired by the banks would be equal to the amount recovered, but this value came to zero. For a transaction in which, overall, Sliders gained nothing and lost nothing, as very clear from inception, it has been asked to include in its taxable base a value that has been determined in accordance with the difference between the nominal value of the acquired receivables and the value finally paid for their purchase, i.e. zero. Also in the light of opinions given by a leading Law Firm, sound arguments are believed to exist to successfully appeal against the claim made by the *Agenzia delle Entrate* and, therefore, no specific provision has been allocated in this regard.

Section 14 – Parent Company Equity – Items 130, 150, 160, 170, 180, 190 and 200

14.1 SHARE CAPITAL AND TREASURY SHARES: BREAKDOWN

The Parent Company’s share capital, fully paid-in, consists of 934,837,845 ordinary shares. No treasury shares were held.

14.2 SHARE 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	**58,076,225**	**-**
B.1 New issues	58,076,225	-
- for a consideration:	58,076,225	-
- business combinations	58,076,225	-
- 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 companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**934,837,845**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares – closing balance	934,837,845	-
- fully paid in	934,837,845	-
- partially paid in	-	-

In December 2017, within the project for the acquisition of the majority shareholdings in Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato, Crédit Agricole Cariparma made a share capital increase of Euro 320 million, which was fully subscribed by its Shareholders. Within the share capital increase, 58,076,225 ordinary shares were subscribed having a nominal value of Euro 1, at a unit price of Euro 5.51 (of which Euro 4.51 as share premium).

14.3 SHARE CAPITAL: OTHER INFORMATION

The unit nominal value of the 934,837,845 ordinary shares is Euro 1.

14.4 INCOME RESERVES: OTHER INFORMATION

Items/Types	Amounts
Legal reserve	153,758
Reserves provided for by the Articles of Association	848,136
Reserve pursuant to Art. 13 of It. Leg. D. 124/93(*)	314
Reserve for business combinations under common control	17,683
Riserva interessi su strumenti Additional Tier 1	-15,640
Income reserves	**1,004,251**
Reserve from share-based payments(**)	2,790
Total reserves	**1,007,041**

(*) Reserve pursuant to Art.13 of Italian Legislative Decree No. 124/93 to take advantage of tax relief on the portions of Employee severance benefits to be used for supplementary pension schemes.

(**) Reserve recognizing the increase in equity resulting from payments based on shares of the controlling company Crédit Agricole SA. made to employees and directors

OTHER INFORMATION

1. Guarantees issued and commitments

Transactions	31.12.2017	31.12.2016
1) Financial guarantees issued	689,528	738,252
a) Banks	211,752	263,102
b) Customers	477,776	475,150
2) Commercial guarantees issued	894,213	760,310
a) Banks	102,460	81,284
b) Customers	791,753	679,026
3) Irrevocable commitments to disburse funds	793,521	69,961
a) Banks	3,686	2,026
i) certain use	3,454	2,026
ii) uncertain use	232	-
b) Customers	789,835	67,935
i) certain use	5,691	1,202
ii) uncertain use	784,144	66,733
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets pledged as collaterals for third-party debts	-	-
6) Other commitments	7,503	-
Total	**2,384,765**	**1,568,523**

2. Assets pledged as collateral for own liabilities and commitments

Portfolios	31.12.2017	31.12.2016
1. Financial assets held for trading	-	-
2. Financial assets designated at fair value	-	-
3. Financial assets available for sale	224,852	230,206
4. Investments held to maturity	1,550,009	-
5. Loans to banks	-	-
6. Loans to Customers	4,883,051	3,067,405
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)	1,391	2,053	-	-	3,444
Other – office machinery	-	-	-	-	-
Other – telephones (landline and mobile)	-	-	-	-	-
Other – other	-	-	-	-	-
Software	-	-	-	-	-
Total	**1,391**	**2,053**	**-**	**-**	**3,444**

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)	1,361	-	-	1,361
Other – office machinery	126	-	-	126
Other – telephones (landline and mobile)	-	-	-	-
Other – other	-	-	-	-
Software	-	-	-	-
Total	**1,487**	-	-	**1,487**

OPERATING LEASES – LESSEE – IAS 17 ART. 35 – LETTER D

Description of contracts	Criteria for determining lease payments	Renewal or purchase option clauses	Indexing clauses
Other – motor-vehicles (including cars)	Fee determined based on the make, model, 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	Amount
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	948,735
a) individual	948,735
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 reporting Bank	-
2. other securities	-
b) securities of third parties on deposit (excluding asset management): other	34,588,428
1. Securities issued by the reporting Bank	3,159,353
2. other securities	31,429,075
c) third-party securities deposited with third parties	33,250,862
c) proprietary securities deposited with third parties	5,049,110
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) 31.12.2017	Net amount 31.12.2016
				Financial Instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	475,617	-	475,617	433,444	17,308	24,865	38,734
2. Repurchase agreements	678,311	-	678,311	-	-	678,311	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total (31 Dec. 2017)	**1,153,928**	**-**	**1,153,928**	**433,444**	**17,308**	**703,176**	**X**
Total (31 Dec. 2016)	**641,428**	**-**	**641,428**	**602,694**	**-**	**X**	**38,734**

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 assets recognized (c=a-b)	Related amounts not offset		Net amount (f=c-d-e) 31.12.2017	Net amount 31.12.2016
				Financial Instruments (d)	Cash deposits as collateral (e)		
1. Derivatives	479,726	-	479,726	433,444	-	46,282	87,141
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other transactions	-	-	-	-	-	-	-
Total (31 Dec. 2017)	**479,726**	**-**	**479,726**	**433,444**	**-**	**46,282**	**X**
Total (31 Dec. 2016)	**689,835**	**-**	**689,835**	**602,694**	**-**	**X**	**87,141**

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interests – Items 10 and 20

1.1 INTEREST INCOME AND SIMILAR REVENUES: BREAKDOWN

Items/Technical forms	Debt securities	Loans	Other transactions	31.12.2017	31.12.2016
1 Financial assets held for trading	8	-	-	8	8
2 Financial assets available for sale	69,384	-	-	69,384	77,136
3 Investments held to maturity	8,530	-	-	8,530	-
4 Loans to banks	-	15,617	-	15,617	28,549
5 Loans to Customers	5,431	477,405	-	482,836	526,282
6 Financial assets designated at fair value	-	-	-	-	-
7 Hedging derivatives	X	X	145,200	145,200	141,664
8 Other assets	X	X	15,881	15,881	5,047
Total	83,353	493,022	161,081	737,456	778,686

1.2 INTEREST INCOME AND SIMILAR REVENUES: DIFFERENCES ON HEDGING TRANSACTIONS

Items/Values	31.12.2017	31.12.2016
A. Positive differences on hedging transactions:	267,229	280,120
B. Negative differences on hedging transactions:	(122,029)	(138,456)
C. Balance (A-B)	145,200	141,664

1.3 INTEREST INCOME AND SIMILAR REVENUES: OTHER INFORMATION

1.3.1 Interest income on foreign-currency financial assets

As at 31 December 2017, interest income on foreign-currency financial assets came to Euro 3,415 thousand.

1.3.2 Interest income on finance lease transactions

In 2017, there was no interest income resulting from finance lease transactions.

1.4 INTEREST EXPENSES AND SIMILAR CHARGES: BREAKDOWN

Items/Technical forms	Due and payables	Securities	Other transactions	31.12.2017	31.12.2016
1. Due to central banks	(5,129)	X	-	(5,129)	(1,849)
2. Due to banks	(29,304)	X	-	(29,304)	(24,063)
3. Due to Customers	(22,808)	X	-	(22,808)	(33,331)
4. Debt securities issued	X	(80,002)	-	(80,002)	(105,734)
5. Financial liabilities held for trading	-	-	-	-	-
6. Net Financial liabilities designated at fair value	-	-	-	-	-
7. Other liabilities and provisions	X	X	(5,512)	(5,512)	(1,308)
8. Hedging derivatives	X	X	-	-	-
Total	(57,241)	(80,002)	(5,512)	(142,755)	(166,285)

1.6 INTEREST EXPENSES AND SIMILAR CHARGES: OTHER INFORMATION

1.6.1 Interest expense on foreign-currency liabilities

As at 31 December 2017, interest expense on foreign-currency financial assets came to Euro 1,273 thousand.

1.6.2 Interest expenses on liabilities for finance lease transactions

In 2017, there were no interest expenses resulting from finance lease transactions.

Section 2 – Fees and Commissions – Items 40 and 50

2.1 COMMISSION INCOME: BREAKDOWN

Type of services / Amounts	31.12.2017	31.12.2016
a) guarantees issued	12,204	12,344
b) credit derivatives	-	-
c) Management, intermediation and advisory services:	327,416	280,522
1. trading in financial instruments	-	-
2. foreign exchange trading	2,983	2,902
3. asset management	10,004	9,407
3.1. individual	10,004	9,407
3.2. collective	-	-
4. Custody and administration of securities	3,588	4,008
5. depositary bank services	-	-
6. placement of securities	120,980	96,908
7. receipt and transmission of orders	6,531	6,735
8. advisory services	185	275
8.1 in respect of investments	25	-
8.2 in respect of financial structure	160	275
9. distribution of third-party services	183,145	160,287
9.1. asset management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2 insurance products	161,210	141,126
9.3. other products	21,935	19,161
d) collection and payment services	33,209	31,370
e) servicing activities for securitizations	-	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) management of multilateral trading facilities	-	-
i) keeping and managing current accounts	123,722	126,864
j) other services	67,935	66,942
Total	**564,486**	**518,042**

Sub-item “j) other services” mainly reports fees and commissions on debit and credit cards and on e-money services amounting to Euro 27,226 thousand and fees and commissions for loans granted amounting to Euro 22,025 thousand

2.2 FEE AND COMMISSION INCOME: DISTRIBUTION CHANNELS FOR PRODUCTS AND SERVICES

Channels/Values	31.12.2017	31.12.2016
a) at own branches:	**314,129**	**266,602**
1. asset management	10,004	9,407
2. placement of securities	120,980	96,908
3. third party products and services	183,145	160,287
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 FEE AND COMMISSION EXPENSES: BREAKDOWN

Services/Values	31.12.2017	31.12.2016
a) guarantees received	(11,546)	(8,155)
b) credit derivatives	-	-
c) management and intermediation services:	(6,425)	(5,714)
1. trading in financial instruments	(1,316)	(1,169)
2. foreign exchange trading	-	-
3. asset management	(1,947)	(1,737)
3.1 own portfolio	-	-
3.2 third-party portfolio	(1,947)	(1,737)
4. Custody and administration of securities	(1,053)	(1,055)
5. placement of financial instruments	(2,109)	(1,753)
6. off-premises distribution of financial instruments, products and services	-	-
d) collection and payment services	(1,978)	(2,030)
e) other services	(21,748)	(8,235)
Total	**(41,697)**	**(24,134)**

Sub-item “e) other services” reports fees and commissions on debit and credit cards and e-money services amounting to Euro 4,424 thousand, as well as Euro 12,993 thousand for the penalty for early repayment of the Lower Tier 2 deposit.

Section 2 – Dividends and similar revenues – Item 70

3.1 DIVIDENDS AND SIMILAR REVENUES: BREAKDOWN

Items/Revenues	31.12.2017		31.12.2016	
	Dividends	Income from units of collective investment undertakings	Dividends	Income from units of collective investment undertakings
A. Financial assets held for trading	1	-	4	-
B. Financial assets available for sale	7,744	-	7,907	-
C. Financial assets designated at fair value	-	-	-	-
D. Equity investments	42,189	X	41,974	X
Total	**49,934**	**-**	**49,885**	**-**

The main dividends for the year referred to the controlling equity investment in Crédit Agricole FriulAdria (Euro 26,340 thousand) and in Crédit Agricole Carispezia (Euro 15,849 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 profits (losses) on trading activities – Item 80

4.1 NET PROFITS (LOSSES) ON TRADING ACTIVITIES: BREAKDOWN

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net profit (loss) [(A+B) – (C+D)]
1. Financial assets held for trading	**2**	**727**	**-**	**(127)**	**602**
1.1 Debt securities	2	439	-	(14)	427
1.2 Equity securities	-	3	-	-	3
1.3 Units of collective investment undertakings	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	285	-	(113)	172
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**3,842**
4. Derivatives	**38,649**	**33,498**	**(32,944)**	**(30,030)**	**9,328**
4.1 Financial derivatives:	38,649	33,498	(32,944)	(30,030)	9,328
- On debt securities and interest rates	38,099	33,008	(32,704)	(29,556)	8,847
- On equity securities and equity indices	304	-	-	-	304
- On foreign exchange and gold	X	X	X	X	155
- Other	246	490	(240)	(474)	22
4.2 Credit derivatives	-	-	-	-	-
Total	**38,651**	**34,225**	**(32,944)**	**(30,157)**	**13,772**

Section 5 – Net profits (losses) on hedging activities – Item 90

5.1 NET PROFITS (LOSSES) ON HEDGING ACTIVITIES: BREAKDOWN

Income components/Values	31.12.2017	31.12.2016
A. Income on:		
A.1 Fair value hedging derivatives	321,864	226,644
A.2 Hedged financial assets (fair value)	22,976	84,961
A.3 Hedged financial liabilities (fair value)	192,589	84,400
A.4 Cash flow hedging financial derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**537,429**	**396,005**
B. Expenses on:		
B.1 Fair value hedging derivatives	(510,596)	(316,747)
B.2 Hedged financial assets (fair value)	(30,449)	(22,019)
B.3 Hedged financial liabilities (fair value)	(5,216)	(62,712)
B.4 Cash flow hedging financial derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses on hedging activities (B)	**(546,261)**	**(401,478)**
C. Net profit (loss) on hedging (A – B)	**(8,832)**	**(5,473)**

Section 6 – Profits (losses) on disposal/repurchase – Item 100

6.1 PROFITS (LOSSES) ON DISPOSAL/REPURCHASE: BREAKDOWN

Items/Income components	31.12.2017			31.12.2016		
	Profits	Losses	Net profit (loss)	Profits	Losses	Net profit (loss)
Financial assets						
1. Loans to banks	-	-	-	-	-	-
2. Loans to Customers	15,226	(25,441)	(10,215)	885	(17,391)	(16,506)
3. Financial assets available for sale	61,985	(28,335)	33,650	64,483	(28,503)	35,980
3.1 Debt securities	59,574	(28,335)	31,239	64,433	(28,503)	35,930
3.2 Equity securities	2,411	-	2,411	50	-	50
3.3 Units of collective investment undertakings	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-	-	-	-	-
Total Assets	**77,211**	**(53,776)**	**23,435**	**65,368**	**(45,894)**	**19,474**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to Customers	-	-	-	-	-	-
3. Debt securities issued	152	(1,143)	(991)	341	(1,836)	(1,495)
Total liabilities	**152**	**(1,143)**	**(991)**	**341**	**(1,836)**	**(1,495)**

Section 8 – Net losses/recoveries on impairment – Item 130

8.1 NET LOSSES ON IMPAIRMENT OF LOANS: BREAKDOWN

Transactions/Income components	Adjustments			Writebacks				31.12.2017	31.12.2016
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Loans to banks	-	-	-	-	-	-	-	-	-
- loans	-	-	-	-	-	-	-	-	-
- debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers	(10,340)	(233,161)	(25,196)	42,337	43,482	-	43,481	(139,397)	(146,906)
Non-performing loans purchased	-	-	-	-	-	-	-	-	-
- loans	-	-	X	-	-	X	X	-	-
- debt securities	-	-	X	-	-	X	X	-	-
Other loans and receivables	(10,340)	(233,161)	(25,196)	42,337	43,482	-	43,481	(139,397)	(146,906)
- loans	(10,340)	(233,161)	(25,196)	42,337	43,482	-	43,481	(139,397)	(146,906)
- debt securities	-	-	-	-	-	-	-	-	-
C. Total	(10,340)	(233,161)	(25,196)	42,337	43,482	-	43,481	(139,397)	(146,906)

KEY:
A = from interest
B = other writebacks

8.2 NET LOSSES ON IMPAIRMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE: BREAKDOWN

Transactions/Income components	Adjustments		Writebacks		31.12.2017	31.12.2016
	Specific		Specific			
	Writeoffs	Other	A	B		
A. Debt securities	-	-	-	-	-	-
B. Equity securities	-	(18,246)	X	X	(18,246)	(39)
C. Units of collective investment undertakings	-	(254)	X	-	(254)	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(18,500)**	**-**	**-**	**(18,500)**	**(39)**

Key:
A= from interest
B= other writebacks

8.4 NET LOSSES ON IMPAIRMENT OF OTHER FINANCIAL TRANSACTIONS: BREAKDOWN

Transactions/Income components	Adjustments			Writebacks				31.12.2017	31.12.2016
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Guarantees issued	-	(3,354)	(114)	131	1,506	-	811	(1,020)	663
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	-	(3,354)	(114)	131	1,506	-	811	(1,020)	663

Key:
A= from interest
B= other writebacks

Section 9 – Administrative expenses – Item 150

9.1 STAFF EXPENSES: BREAKDOWN

Type of expense/Values	31.12.2017	31.12.2016
1) Employees	(405,170)	(424,072)
a) wages and salaries	(291,540)	(279,769)
b) social security contributions	(77,505)	(73,411)
c) severance benefits	(217)	-
d) pensions	-	-
e) allocation to employee severance benefit provision	(930)	(1,401)
f) allocation to provision for Post-employment benefits:	(146)	(240)
- defined-contribution	-	-
- defined-benefit	(146)	(240)
g) payment to external supplementary pension schemes:	(25,134)	(27,228)
- defined-contribution	(25,134)	(27,228)
- defined-benefit	-	-
h) costs from share-based payment agreements	-	-
i) other employee benefits	(9,698)	(42,023)
2) Other staff	(1,514)	(1,516)
3) Directors and Auditors	(1,158)	(1,150)
4) Retired staff	-	-
5) Expense recovery for employees seconded to other companies	9,877	8,059
6) Expense refund for third parties' employees seconded to the company	(12,027)	(10,731)
Total	**(409,992)**	**(429,410)**

9.2 AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY

	31.12.2017
Employees:	
a) Senior Managers	65
b) Junior Managers	2,556
c) other Employees	2,447
Other staff	48

9.3 COMPANY DEFINED-BENEFIT PENSION PLANS: COSTS AND REVENUES

Type of expenses/Values	31.12.2017	31.12.2016
Provision for the year	-	-
Changes due to passing of time	(146)	(240)

9.4 OTHER EMPLOYEES' BENEFITS

These consisted of costs for non-occupational policies, incentives for voluntary redundancy, other fringe benefits, as well as to the contribution to the bank employees' cultural and recreational club.

9.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

Type of expense/Values	31.12.2017	31.12.2016
Direct and indirect taxes	(73,066)	(75,388)
Data processing	(8,731)	(9,262)
Facility rental and management	(37,057)	(37,570)
Expenses for advisory services	(32,762)	(20,011)
Mail, telegraph and delivery services	(34)	-
Telephone and data transmission	(2,255)	(2,953)
Legal expenses	(6,491)	(6,370)
Property maintenance	(1,192)	(792)
Furnishing and plant maintenance	(61)	(18)
Marketing, promotion and entertainment expenses	(9,174)	(6,674)
Transport services	(5,692)	(4,445)
Lighting, heating and air conditioning	(9,155)	(10,043)
Printed material, stationery and consumables	(638)	(681)
Staff training expenses and reimbursements	(7,225)	(5,676)
Security services	(23)	(36)
Information and title searches	(3,440)	(4,174)
Insurance	(123,871)	(125,363)
Cleaning services	(131)	(110)
Leasing of other property, plant and equipment	(2,183)	(2,035)
Management of archives and document handling	-	-
Reimbursement of costs to Group companies	(162,861)	(157,510)
Contributions to support the banking system	(23,868)	(33,211)
Sundry expenses	(6,152)	(9,065)
Total	**(516,062)**	**(511,387)**

Section 10 – Net provisions for risks and charges – Item 160

10.1 NET PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

The net provision amounted to Euro 11,924 thousand, of which Euro 4,168 thousand for bankruptcy revocatory actions, Euro 3,787 thousand for non-lending-related legal disputes and Euro 3,969 thousand worth of other provisions.

Section 11 – Net adjustments/writebacks of property, plant and equipment – Item 170

11.1 NET VALUE ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN

Assets/Income components	Depreciation (a)	Impairment adjustments (b)	Writebacks (c)	Net profit (loss) (a + b – c)
A. Property, plant and equipment:	-	-	-	-
A.1 Owned	(14,131)	-	-	(14,131)
- Operating assets	(13,895)	-	-	(13,895)
- Investment property	(236)	-	-	(236)
A.2 Acquired under finance leases	-	-	-	-
- Operating assets	-	-	-	-
- Investment property	-	-	-	-
Total	(14,131)	-	-	(14,131)

Section 12 – Net adjustments of/recoveries on intangible assets – Item 180

12.1 NET VALUE ADJUSTMENTS OF INTANGIBLE ASSETS: BREAKDOWN

Assets/Income components	Amortization (a)	Impairment adjustments (b)	Recoveries/ Writebacks (c)	Net profit (loss) (a + b – c)
A. Intangible assets	-	-	-	
A.1 Owned	(16,360)	-	-	(16,360)
- Internally generated	-	-	-	-
- 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: BREAKDOWN

Type of expense/Values	31.12.2017	31.12.2016
Expenses for finance lease transactions	-	-
Currency/monetary adjustments	-	-
Integrations and reorganization expenses	-	-
Amortization of expenditure for leasehold improvements	(7,081)	(7,259)
Other expenses	(12,517)	(5,921)
Total	**(19,598)**	**(13,180)**

13.2 OTHER OPERATING INCOME: BREAKDOWN

Type of expense/Values	31.12.2017	31.12.2016
Rental income and recovery of expenses on real estate	2,706	2,870
Income from finance lease contracts	-	-
Recovery of rental expenses	-	-
Recovery of taxes and levies	64,418	66,948
Recovery of insurance costs	121,778	122,238
Recovery of other expenses	6,681	7,364
Service recovery	14,520	14,522
Other income	26,707	27,088
Total	**236,810**	**241,030**

Section 14 – Profits (losses) on equity investments – Item 210

14.1 PROFITS (LOSSES) ON EQUITY INVESTMENTS: BREAKDOWN

Income components/Values	**31.12.2017**	**31.12.2016**
A. Income	7,151	9,722
1. Revaluations/writebacks	-	-
2. Profits on disposal	-	-
3. Writebacks	-	-
4. Other income	7,151	9,722
B. Expenses	-	(20)
1. Writedowns	-	-
2. Losses on impairment	-	(20)
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit (loss)	**7,151**	**9,702**

Section 17 – Profits (losses) on disposal of investments – Item 240

17.1 PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS: BREAKDOWN

Income component/Values	**31.12.2017**	**31.12.2016**
A. Real estate	273	75
- Profits on disposal	302	75
- Losses on disposal	(29)	-
B. Other assets	(37)	(250)
- Profits on disposal	-	1
- Losses on disposal	(37)	(251)
Net profit (loss)	**236**	**(175)**

Section 18 – Taxes on income from continuing operations – Item 260

18.1 TAXES ON INCOME FROM CONTINUING OPERATIONS: BREAKDOWN

Income components/Values		**31.12.2017**	**31.12.2016**
1.	Current taxes (-)	(25,628)	(46,510)
2.	Changes in current taxes for previous years (+/-)	-	-
3.	Reduction in current taxes for the year (+)	689	1,156
3. bis	Reduction in current taxes for the period for tax receivables pursuant to Law No. 214/2011 (+)	-	-
4.	Change in deferred tax assets (+/-)	(57,581)	(32,175)
5.	Change in deferred tax liabilities (+/-)	2,211	(2,237)
6.	Taxes for the year (-) (-1+/-2+3+/-4+/-5)	(80,309)	(79,766)

18.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED

	31.12.2017
Net profit on continuing operations before taxes	292,021
Net profit on discontinued operations (before taxes)	-
Theoretical taxable income	**292,021**

	31.12.2017
Income taxes – Theoretical tax liability at the 27.5% ordinary rate	-80,306
- 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	14,668
Income tax – actual tax liability	-65,637
- use of excess tax provisioning in previous periods	-
- 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 tax credits and deduction	689
Effects of equity investments	-
Other costs	-
IRAP – Theoretical tax liability	-16,287
effect of income/expenses that do not contribute to the taxable base	-50,353
- effect of other changes	51,249
- effect of change in the average tax rate	31
IRAP – Actual tax liability	-15,361
Other taxes	-
Effects of equity investments	-
Other costs	-
Actual tax liability recognized	**-80,309**
of which: actual tax liability on continuing operations	-80,309
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 934,837,845 ordinary shares, with a nominal value of Euro 1 each.

PART D – COMPREHENSIVE INCOME

Breakdown of comprehensive income

Items		Gross amount	Income tax	Net amount
10.	Profit (Loss) for the year	X	X	211,712
	Other income components with no reversal to Income Statement			
20	Property, plant and equipment	-	-	-
30.	Intangible Assets	-	-	-
40.	Defined-benefit plans	65	(18)	47
50.	Non-current assets held for sale	-	-	-
60.	Share of valuation reserve on equity investments accounted for with 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:	946	(268)	678
	a) changes in fair value	5,743	(7,598)	(1,855)
	b) reversals to Income Statement	(4,797)	7,330	2,533
	- impairment losses	18,500	(84)	18,416
	- profit/loss from realization	(23,297)	7,414	(15,883)
	c) other changes	-	-	-
110.	Non-current assets held for sale	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to Income Statement	-	-	-
	c) other changes	-	-	-
120.	Share of valuation reserve on equity investments accounted for by equity method:	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to Income Statement	-	-	-
	- adjustments on impairment	-	-	-
	- profit/loss from transfers	-	-	-
	c) other changes	-	-	-
130.	Total other income components	1,011	(286)	725
140	Comprehensive income (10+130)			212,437

PART E – INFORMATION ON RISKS AND RELATIVE HEDGING POLICIES

Section 1 – Credit Risk

QUALITATIVE DISCLOSURES

1. General aspects

The 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 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, ensuring their quality and monitoring the allocation of loans in terms of sectors and sizes.
- 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.

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 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. For all exposures entailing low amounts and included

in the outsourced collection scope, the Division is responsible for steering and governing outsourced collection activities, 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 Mln;
  - To Customers that have lease contracts in force and show evidence of being non-performing (except for bad loans).

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.

Moreover, subsequent to the acquisition of the three Savings Banks of San Miniato, Rimini and Cesena, their credit structures shall report on a dotted line to the Credit Department.

2.2 Management, measurement and control

Lending policies and strategies

In 2017, the evolution of the economic scenario and of 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 laid down.

Consistently with the Bank' 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;
- Lay down the 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 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.

Lending policies for Businesses, Production Chains and Public Administration Bodies pursue the objectives listed below:

- To set the credit risk management strategy on the basis of adequate differentiation in accordance with the specific creditworthiness (Customer Risk);
- To identify the positioning of each sector in terms of risk/growth prospects;
- To associate appropriate management guidelines to each sector and micro-sector, separating high-risk sectors from low-risk ones with potential opportunities for growth;

In accordance with the objectives reported above, in 2017 lending policies were revised and the new version shall apply starting from 2018. The revision has implemented:

- The consolidation of the selective criteria already in force and used by the Banks of the Group to manage credit risk: also as regards differentiation based on specific creditworthiness (customer counterparty risk), and to adapt steering strategies that are different in accordance with the specific features of their respective target Customers; the updating of the specific micro-sector of economic activity: the risk of economic sectors and micro-sectors is assessed on a yearly basis in agreement by and between the Credit Department and the Risk Management and Permanent Controls Department, with updates that are fit to detect any signs of improvement or worsening in the general economic scenario and/or in specific sectors thereof.
- Update of the specific criteria set down by the Policies specifically 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 strategic objectives of the “Policies”.

Lending Policies for Individuals were also reviewed in 2017 and the new versions will be in force from the beginning of 2018; they are defined at Banking Group level and apply to Natural Persons (account holders or joint holders) that take out loans for purposes other than those relating to business activities, excluding all Customers falling in the Non-performing exposures 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 application processing and authorization of loans to Individuals uses the Rating System, which 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;
- 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, in accordance with the lending decision-making powers in force at the relevant time;
- File “to be examined in depth” (RED): a loan application that needs in-depth examination and assessment in order to obtain a documentation giving information that can show favourable creditworthiness.

With the summary rating/assessment assigned by the Decision-making System, the exercise of loan authorization powers is governed by some restrictions that shall be complied with by every lending transaction, specifically: a) the determination of monthly net income, b) financial commitments, c) debt affordability and the standard limit to the instalment/income ratio, d) the applicants’ maximum age.

Moreover, the Lending policies for Individuals associate each product with different objectives, features and contents, which are deemed suitable to foster a balanced growth of Loans to worthy Customers and to mitigate credit risk in lending to risky Customers, with specific reference to setting the duration of the transaction, maximum amount of the loan and acquisitions of guarantees.

The types of products set down in Lending Policies for the Customers in the Individuals sub-segment are: 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 early warnings are detected. Based on the above requirements, in 2017 the "Lending Regulation" had to be revised. The new version shall be in force from 2018.

The "Lending Regulation" lays down the rules governing the authorization of loans to all applicants, in compliance with the regulations on corporate groups, determining the classification of transactions into risk classes and supplementing the logics that have always guided credit risk assessment and that consist of:

- A structure based on counterparty risk level, resulting from the Customer's rating and the relevant authorization decision-making powers;
- decision-making powers that are scaled up as the customer riskiness increases.

The revision of the Regulation has consolidated the actions started in 2016 within the review of structures, tools and organizational processes in the lending perimeter – completing the document integration in a single Lending Regulation for all the Banks of the Crédit Agricole Italia Banking Group.

The updates made in 2017 concern:

a) The optimization of the authorization process for performing loans, and with periodic review and updating of decision-making powers, with their essential harmonisation for the counterpart decision-making bodies of the Banks of the Group, without prejudice to the consolidated principle of assignment of decision-making powers based on inverse proportion to the Customer riskiness, based on the counterparty rating;
b) Boosting the performances and ability to manage Non-performing Loans through:
   - Full separation of responsibilities in the lending chains, between the Authorization chain for performing loans 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 loans);
   - Consolidation of operating responsibilities and perimeter of action of the Special Loan chain, for the respective scopes and Customers;
   - Enhancement of the Credit Intelligence control operations;

All the above shall be done with the objective of 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 for each account in order to progressively reduce the cost of credit and improve the quality of the loan portfolio of the Banks of the Crédit Agricole Italia Banking Group.

The authorization process provides for the separation of the role proposing the loan application and the role deciding on its authorization: such separation ensures constant independent verification by the decision-making role of full compliance with the regulations in force at the relevant time.

In the section on Non-Performing Loans, the "Regulation" defines the features of the positions that are to be classified in these loan types and that show problems, even potential ones only, which could, if not promptly and fully solved – caused the deterioration of the quality of the risks taken by the Bank: the tool used to identify the loans belonging to this category is the Performance Monitoring Indicator.

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 showing early warnings; this indicator has 5 colours, representing 5 levels of early warning, with risk decreasing levels, to which a creditworthiness status is associated:

BLU	= 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)

For every type of loan, specific powers and responsibilities have been determined, both as regards the authorization of performing loans and as regards early warnings and non-performing loans.

The evolution in the economic and market scenario, supported by an overall analysis of the progressive improvement in the credit quality of new loans vs. the Group loans portfolio, steered the actions implemented in 2017 on the processes for loan authorization and management:

- Revision of the “Lending Regulation” completing its consolidation into a single document;
- Assessments concerning the upgrades required by the new developments in the regulatory framework, especially analyses of the contents set down by the ECB in its “Guidance to banks on Non-Performing Loans”, which provides for a new approach for the management and governance of the non-performing loans portfolio and for the setting of a medium-term NPL Strategy, in accordance with the Group’s objectives to reduce the overall stock of non-performing loans in a given time horizon, as well as the relevant action drivers that will generate consequent impacts on the income statement and on the balance sheet;
- Further strengthening of the Outsourced Loan Collection process, aiming at improving action promptness and the efficiency of collection by the Outsourcers, in order to provide the Network with support in requesting payment to Customers that have overlimit positions;
- Assigning the task of making residential property appraisals to External Companies in order to better meet the requirements laid down by the Regulator and achieving standardization of appraisal reports ensuring adequate coverage throughout the Country;
- For better control on guarantees, changing the thresholds for statistical revaluation reduction as required to ask for a new expert appraisal;
- Fine-tuning aimed at further strengthening 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 loans);
- Full implementation of the process and tool for electronic management of Early Warnings and Non-Performing Loans, fine-tuning action prioritization as required also by the developments in the applicable legislation and regulations (Forbearance) and by further evolution in the internal management processes and strategies, in a decreasing order of importance of the detected early warnings and non-performing signs. Moreover, the information regarding Customers that are Customers of the Banks of the Crédit Agricole Italia Banking Group and of Crédit Agricole Leasing Italia has been integrated in the procedure, thus ensuring full range view of Customers’ risk profile and even more effective design and triggering of the management actions required to remove early warnings and non-performing signs;
- Full operation of Credit Intelligence Controls.

These changes resulted in:

a) Further streamlining and optimization of the process for the management of Process for the Management of Early Warnings and 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 loan status, in the perimeter that does not fall within the responsibility of the Special Loan Division);

b) The possibility to display, 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, by consulting, 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, carefully 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 identified by the Management Electronic Process (PEG);
d) Important support in the management of positions, setting down and enhancing the responsibility of the Account Manager and of the higher validation Bodies, to carry out and certify 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 is subject to continuous maintenance and updating and ensures full 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.

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 collection of exposures to external collection Companies and the relevant management, providing for their earlier assignment to the collectors and changing the procedures to award fees and commissions

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 and possible changes in such information over time, with specific regard to the ability to generate cash flows that are adequate to the debt service.

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, the "Expert System" shall apply to all Business Accounts. This tool supports the account manager in the loan application processing phase and automatically provides a scoring of the quality of the customer's financial statements and suggests further analysis, in order to support the account manager for full understanding and insight of the company's income and financial situation and for any interviews with the representatives of the customer Company.

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 riskiness profile 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 ("PEF – Electronic Loan Application Process") 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 2017, the processes for the management of positions classified as Unlikely to Pay benefited from the evolutionary implementations on the EPC management platform, a procedure that is fully integrated in the information system, allowing dossier management from inception, both by the Network and by the Central Structures.

Cost of credit

Also 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 (NPEs).

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.

The credit risk monitoring strategy implemented in 2017 involved essentially all channels with controls focusing on the Corporate Banking Channel (SME/Mid and Large Corporate) and on the Retail Banking Channel (especially on the Small Business and Individuals segments), as well as on Crédit Agricole Leasing Italia; also in 2017, the Real Estate portfolio was monitored with special care.

For each segment, specific indicators have been implemented, which are fit both to assess the portfolio quality performance and to prevent risks resulting from the channel specific activities (e.g. mortgage loans for Individuals or leverage loans for Large-Corporate Customers).

Moreover, the monitoring of the diversification of risk in loans was fully implemented, by controlling the limits to portfolio concentration, with different values for “ Investment Grade” and “Non-Investment Grade” Counterparties. Moreover, in order to define a reference framework for Stress Test exercises on the different risk scope consistently with the guidelines issued by the Controlling Company Crédit Agricole S.A., in 2017 the Crédit Agricole Italia Banking Group put a specific policy into force (the Stress Test Policy), which was approved by the Board of Directors of Crédit Agricole Cariparma and then adopted by all the Companies of the Group.

The Policy lays down the quantitative and qualitative techniques with which the Group assesses its vulnerability to exceptional but plausible events; they consist in measuring the impacts on profit or loss, on its financial position and on regulatory aspects generated by specific events (sensitivity analysis) or by combined changes in a set of economic and financial variables in adverse scenarios (scenario analysis).

The policy lays down the stress test reference framework of the Crédit Agricole Italia Banking Group, as required by the new regulations issued by the Supervisory Authority and defines the set of stress test exercises to be carried out in the year.

In 2017 the Group carried out the stress testing activities listed below:

- Stress testing on the budget and on the MTP (Budgetaire Stress Test). This exercise, which operated across the various corporate divisions engaged in risk measurement and management, allowed a prospective analysis of the impact on the Income Statement main items (including the cost of credit) and on risk-weighted assets;
- The Habitat stress exercise. This exercise, which was carried out under Crédit Agricole S.A. direction, aimed at assessing the Group’s sensitivity to a stress applied to a perimeter including all Retail residential real estate plus unsecured and non-mortgage real estate loans (defined as “Other Retail”).

The estimated effects of the economic cycle on the PD allow future developments in Risk Weighted Assets and Expected Loss to be calculated by aggregation level, with the possibility to simulate and calculate separately the impacts in terms of changes in volumes and increase in risk.

Moreover, as reported in the section on projects, the outcomes of the stress test exercises are taken into account within the definition and management of the Risk Appetite Framework.

In addition to the activities provided for by the Policy, in 2018, the Crédit Agricole Italia Banking Group will also be engaged in the Regulatory Stress Test exercise that, under the EBA’s direction, will involve most of the European Banking sector and its main evidence at Group level shall be published within the comprehensive assessment).

The objective of the exercise will be to verify the resilience of the European Bank Sector to adverse macroeconomic scenarios, which will be assessed based on a common analysis framework able to allow comparison between credit institutions otherwise not directly comparable, as well as a forward-looking analysis of the impacts on the main Income Statement variables. A new development in the exercise will by all means be the recognition of the effects of the new IFRS9 in the simulations.

The exercise will be coordinated by the Parent Company Crédit Agricole S.A. and will require the involvement of the various cross-border entities on specific scopes. Specifically, the Crédit Agricole Italia Banking Group will be asked for a contribution in determining the component regarding credit risk and net interest income. As done for the ICAAP and Budgetaire exercises, the Group will use internally developed methods and tools.

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.

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.

As pointed out above, 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 2017 these changes were redefined in order to achieve more and more effective monitoring.

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 lending 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 IN, BREAKDOWN BY ECONOMIC SECTOR AND GEOGRAPHICAL AREA

A.1.1 Breakdown of exposures by portfolio and credit quality (book values)

Portfolio/quality	Bad loans	Unlikely to Pay	Non-performing past due exposures	Performing past-due exposures	Performing exposures	Total
1. Financial assets available for sale	-	-	-	-	2,464,251	2,464,251
2. Investments held to maturity	-	-	-	-	1,569,990	1,569,990
3. Loans to banks	-	-	-	-	10,550,970	10,550,970
4. Loans to Customers	869,109	982,792	30,087	597,739	27,319,989	29,799,716
5. Financial assets designated at fair value	-	-	-	-	-	-
6. Financial assets being divested	-	-	-	-	-	-
Total 31 Dec. 2017	**869,109**	**982,792**	**30,087**	**597,739**	**41,905,200**	**44,384,927**
Total 31 Dec. 2016	**846,890**	**1,181,874**	**48,440**	**625,973**	**36,581,690**	**39,284,867**

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

Loans to customers: analysis of age of past-due loans	Net exposure
1. Non past-due exposures	27,319,989
2. Up to 90 days	484,786
3. From 91 to 180 days	50,087
4. From 181 to 1 year	40,709
5. More than 1 year	22,157
Total 31 Dec. 2016	**27,917,728**

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	-	-	-	2,464,252	-	2,464,252	2,464,252
2. Investments held to maturity	-	-	-	1,569,990	-	1,569,990	1,569,990
3. Loans to banks	-	-	-	10,550,970	-	10,550,970	10,550,970
4. Loans to Customers	3,381,050	1,499,062	1,881,988	28,033,206	115,478	27,917,728	29,799,716
5. Financial assets designated at fair value	-	-	-	X	X	-	-
6. Financial assets being divested	-	-	-	-	-	-	-
Total 31 Dec. 2017	**3,381,050**	**1,499,062**	**1,881,988**	**42,618,418**	**115,478**	**42,502,940**	**44,384,928**
Total 31 Dec. 2016	**3,625,123**	**1,547,919**	**2,077,204**	**37,343,036**	**135,373**	**37,207,663**	**39,284,867**

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
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	1,628	1,077	60,997
2. Hedging derivatives	-	-	413,546
Total 31 Dec. 2017	**1,628**	**1,077**	**474,543**
Total 31 Dec. 2016	**1,415**	**2,257**	**639,174**

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 up to 6 months	From over 6 months up to 1 year	Over 1 year				
A. ON-BALANCE SHEET EXPOSURES								
a) Bad loans	-	-	-	-	X	-	X	-
- of which: forborne exposures	-	-	-	-	X	-	X	-
b) Unlikely to Pay	-	-	-	-	X	-	X	-
- of which: forborne exposures	-	-	-	-	X	-	X	-
c) Non-performing past due exposures	-	-	-	-	X	-	X	-
- of which: forborne exposures	-	-	-	-	X	-	X	-
d) Performing past due exposures	X	X	X	X	-	X	-	-
- of which: forborne exposures	X	X	X	X	-	X	-	-
e) Other performing exposures	X	X	X	X	10,550,970	X	-	10,550,970
- of which: forborne exposures	X	X	X	X	-	X	-	-
TOTAL A	-	-	-	-	**10,550,970**	-	-	**10,550,970**
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	-	-	-	-	X	-	X	-
b) Performing	X	X	X	X	630,159	X	-	630,159
TOTAL B	-	-	-	-	**630,159**	-	-	**630,159**
TOTAL A+B	-	-	-	-	**11,181,129**	-	-	**11,181,129**

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 up to 6 months	From over 6 months up to 1 year	Over 1 year				
A. ON-BALANCE SHEET EXPOSURES								
a) Bad loans	235	27	-	2,095,389	X	1,226,543	X	869,108
- of which: forborne exposures	233	-	-	519,320	X	316,581	X	202,972
b) Unlikely to Pay	453,602	23,615	116,506	658,688	X	269,619	X	982,792
- of which: forborne exposures	387,209	14,502	91,850	420,446	X	175,817	X	738,190
c) Non-performing past due exposures	5,730	5,523	9,941	11,793	X	2,900	X	30,087
- of which: forborne exposures	1,546	751	2,993	7,259	X	730	X	11,819
d) Performing past due exposures	X	X	X	X	600,693	X	2,952	597,741
- of which: forborne exposures	X	X	X	X	146,557	X	721	145,836
e) Other performing exposures	X	X	X	X	31,466,758	X	112,526	31,354,232
- of which: forborne exposures	X	X	X	X	509,190	X	4,445	504,744
TOTAL A	**459,567**	**29,165**	**126,447**	**2,765,870**	**32,067,451**	**1,499,062**	**115,478**	**33,833,960**
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	22,900	-	-	-	X	4,837	X	18,063
b) Other	X	X	X	X	2,103,697	X	586	2,103,111
TOTAL B	**22,900**	**-**	**-**	**-**	**2,103,697**	**4,837**	**586**	**2,121,174**
TOTAL A+B	**482,467**	**29,165**	**126,447**	**2,765,870**	**34,171,148**	**1,503,899**	**116,064**	**35,955,134**

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 256,320 thousand.

A.1.7 On-balance sheet exposures to Customers: changes in gross non-performing exposures

Reasons/categories	Bad loans	Unlikely to Pay	Non-performing past due exposures
A. Opening gross exposure	**2,085,698**	**1,485,458**	**53,966**
- of which: exposures disposed of and not derecognized	-	-	-
B. Increases	**327,224**	**269,715**	**80,175**
B.1 from performing exposures	3,413	139,662	75,231
B.2 transfers from other categories of non-performing exposures	306,057	75,635	2,296
B.3 other increases	17,754	54,418	2,648
C. Decreases	**317,271**	**502,762**	**101,154**
C.1 to performing loans	902	79,032	14,566
C.2 writeoffs	182,309	23,485	1,951
C.3 collections	72,119	75,953	9,231
C.4 realization on disposals	35,563	443	-
B.2 losses on disposals	25,365	-	-
C.6 transfers to other categories of non-performing exposures	1,013	307,954	75,021
C.7 other decreases	-	15,895	385
D. Closing gross exposure	**2,095,651**	**1,252,411**	**32,987**
- of which: exposures disposed of and not derecognized	-	-	-

A.1.7 bis On-balance-sheet exposures to Customers: changes in gross forborne exposures broken down by credit quality

Reasons/categories	Non-performing forborne exposures	Performing forborne exposures
A. Opening gross exposure	**1,496,613**	**684,899**
- of which: sold exposures not derecognized	-	-
B. Increases	**192,515**	**329,805**
B.1 from non-forborne performing exposures	6,642	242,019
B.2 from forborne performing exposures	87,642	-
B.3 from forborne non-performing exposures	-	77,501
B.4 other increases	98,231	10,285
C. Decreases	243,019	358,957
C.1 to non-forborne performing exposures	-	198,683
C.2 to forborne performing exposures	77,501	-
C.3 to forborne non-performing exposures	-	87,642
C.3 derecognition	12,002	30
C.5 collections	69,425	71,404
C.6 realization on disposals	582	-
B.2 losses on disposal	718	-
C.8 other decreases	82,791	1,198
D. Closing gross exposure	**1,446,109**	**655,747**
- 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 exposures	
	Total	of which forborne exposures	Total	of which forborne exposures	Total	of which forborne exposures
A. Opening total adjustments	**1,238,809**	**218,371**	**303,583**	**208,545**	**5,527**	**1,401**
- of which: sold exposures not derecognized	-	-	-	-	-	-
B. Increases	**252,740**	**110,289**	**105,148**	**45,302**	**4,934**	**1,958**
B.2 value adjustments	158,503	79,219	81,978	38,721	3,020	749
B.2 losses on disposals	25,365	718	-	-	-	-
B.3 transfers from other categories of non-performing exposures	61,622	30,349	5,080	2,059	1,110	1,058
B.4 other increases	7,250	3	18,090	4,522	804	151
C. Decreases	**265,006**	**12,079**	**139,112**	**78,030**	**7,561**	**2,630**
C.1 writebacks from valuations	35,187	6,153	39,199	27,610	688	124
C.2 writebacks from collections	6,446	423	4,032	920	163	27
C.3 profits on disposal	15,176	51	50	-	-	-
C.3 derecognition	182,309	4,268	23,485	6,558	1,951	1,176
C.5 transfers to other categories of non-performing exposures	476	423	62,673	37,546	4,663	1,290
C.6 other decreases	25,412	761	9,673	5,396	96	13
D. Total closing adjustments	**1,226,543**	**316,581**	**269,619**	**175,817**	**2,900**	**729**
- 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						Without rating	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6		
A. On-balance-sheet exposures	1,231,840	1,959,220	2,612,221	680,178	124,938	19,387	37,757,147	44,384,931
B. Derivatives	784	19,696	7,589	4,566	921	50	333,294	366,900
B.1 Financial Derivatives	784	19,696	7,589	4,566	921	50	333,294	366,900
B. Credit Derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	114,006	377,295	396,014	63,453	226,224	13,326	393,424	1,583,742
D. Commitments to disburse funds	9,405	149,208	165,245	25,152	174	1	451,507	800,692
E. Other	-	-	-	-	-	-	-	-
Total	1,356,035	2,505,419	3,181,069	773,349	352,257	32,764	38,935,372	47,136,265

The above breakdown by rating grades 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 internal 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	5,491,507	9,138,188	5,306,643	2,574,010	21,874,583	44,384,931
B. Derivatives	1,163	18,709	19,877	2,677	324,474	366,900
B.1 Financial Derivatives	1,163	18,709	19,877	2,677	324,474	366,900
B.2 Credit derivatives	-	-	-	-	-	-
C. Guarantees issued	292,556	503,482	262,481	38,363	486,859	1,583,741
D. Commitments to disburse funds	99,832	211,791	165,150	96,820	227,098	800,691
E. Other	-	-	-	-	-	-
Total	5,885,058	9,872,170	5,754,151	2,711,870	22,913,014	47,136,263

The breakdown by rating grade given above refers to the Crédit Agricole Italia Banking Group's internal models. The "Without rating" column mainly shows exposures to Banks, Public Administration Bodies and Sovereign States, for which internal rating models are not available.

Excluding counterparties without rating, 65% of total counterparties fall within the Investment grades (from AAA to BBB-), whereas 24% falls within the BB+/BB grades and 11% in 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				
		Real estate mortgage	Real estate - Finance leases	Securities	Other collaterals	CLN	Other derivatives				Governments and central banks	Other public administration bodies	Banks	Other	
							Governments and central banks	Other public administration bodies	Banks	Other					
1. Secured on-balance-sheet exposures:	1,179,331	-	-	678,311	-	-	-	-	-	-	-	-	500,801	-	1,179,112
1.1 Fully secured	1,029,112	-	-	678,311	-	-	-	-	-	-	-	-	350,801	-	1,029,112
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Partially secured	150,219	-	-	-	-	-	-	-	-	-	-	-	150,000	-	150,000
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Off-balance-sheet secured exposures:	4,622	-	-	-	140	-	-	-	-	-	-	-	4,157	200	4,497
2.1 Fully secured	408	-	-	-	140	-	-	-	-	-	-	-	68	200	408
-of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Partially secured	4,214	-	-	-	-	-	-	-	-	-	-	-	4,089	-	4,089
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Secured exposures to Customer

	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 administration bodies	Banks	Other	
							Governments and central banks	Other public administration bodies	Banks	Other					
1. Secured on-balance-sheet exposures:	21,893,046	15,201,551	-	121,434	731,915	-	-	-	-	-	120,002	147,638	2,963,598	1,851,780	21,137,918
1.1 Fully secured	19,602,103	15,058,005	-	95,833	532,033	-	-	-	-	-	113,932	93,171	1,601,750	1,613,924	19,108,648
- of which non-performing	1,536,680	1,227,353	-	1,117	9,155	-	-	-	-	-	972	5,941	-	178,772	1,423,310
1.2 Partially secured	2,290,943	143,546	-	25,601	199,882	-	-	-	-	-	6,070	54,467	1,361,848	237,856	2,029,270
- of which non-performing	129,448	52,116	-	871	3,886	-	-	-	-	-	-	3,079	-	29,460	89,412
2. Off-balance-sheet secured exposures:	553,065	183,092	-	30,263	98,255	-	-	-	-	-	18,222	2	6,242	187,753	523,829
2.1 Fully secured	460,741	164,741	-	21,163	86,095	-	-	-	-	-	10,747	2	438	176,207	459,393
- of which non-performing	5,054	-	-	62	703	-	-	-	-	-	1,647	-	-	2,437	4,849
2.2 Partially secured	92,324	18,351	-	9,100	12,160	-	-	-	-	-	7,475	-	5,804	11,546	64,436
- of which non-performing	7,284	-	-	705	394	-	-	-	-	-	1,254	-	2,800	229	5,382

In compliance with Bank of Italy Circular No. 262, 4th update, the "Collaterals" and "Personal Guarantees" columns report the estimated fair value of the collateral/guarantee as at the financial reporting date o, where this information is not available, its contractual value.

It is pointed out that, in compliance with the above 4th update, both the above values shall not be higher than the book value of secured exposures.

B. BREAKDOWN AND CONCENTRATION OF EXPOSURES

B.1 Breakdown by sector of on-balance-sheet and off-balance-sheet exposures to Customers (book value)

Exposures/Counterparties	Governments			Other public administration bodies			Financial companies			Insurance undertakings			Non-financial companies			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 loans			X	-	-	X	2,295	6,925	X		24	X	592,913	1,069,534	X	273,900	150,060	X
- of which: forborne exposures			X			X	122	1,759	X			X	200,637	312,416	X	2,213	2,406	X
A.2 Unlikely to Pay			X	-	-	X	30,398	6,945	X	18	11	X	853,456	235,038	X	98,920	27,625	X
- of which: forborne exposures			X	-		X	30,301	6,798	X			X	650,801	158,398	X	57,088	10,621	X
A.3 Non-performing past-due exposures			X	-		X	59	14	X			X	20,637	2,065	X	9,391	821	X
- of which: forborne exposures			X			X			X			X	8,732	534	X	3,087	196	X
A.4 Performing exposures	4,075,162		X	60,823		X	5,407,694		3,272	221,846		-	10,096,636		52,514	12,089,812		59,692
- of which: forborne exposures		X			X		351	X	2		X		505,728	X	4,450	144,502	X	714
Total A	4,075,162	-	-	60,823	-	-	5,440,446	13,884	3,272	221,864	35	-	11,563,642	1,306,637	52,514	12,472,023	178,506	59,692
B. Off-balance-sheet exposures																		
B.1 Bad debts			X			X	305		X			X	3,563	2,485	X	28	-	X
B.2 Unlikely to Pay			X			X			X	10	5	X	13,109	2,040	X	208	97	X
B.3 Other non-performing exposures			X			X			X			X	832	208	X	8	2	X
B.4 Performing exposures	12,857	X		1,155	X		183,208	X	10	35,004	X	17	1,770,415	X	539	100,472	X	20
Total B	12,857	-	-	1,155	-	-	183,513	-	10	35,014	5	17	1,787,919	4,733	539	100,716	99	20
Total (A+B) (31 Dec. 2017)	4,088,019	-	-	61,978	-	-	5,623,959	13,884	3,282	256,878	40	17	13,351,561	1,311,370	53,053	12,572,739	178,605	59,712
Total (A+B) (31 Dec. 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

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.2 Breakdown by geographical area of on-balance-sheet and off-balance-sheet exposures to Customers (book value)

Exposure/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 loans	372,670	543,424	334,645	418,388	84,432	142,708	76,761	117,069
A.2 Unlikely to Pay	335,610	85,318	408,182	96,267	183,497	56,382	53,024	30,818
A.3 Non-performing past-due exposures	13,670	1,120	9,918	991	2,173	328	4,296	459
A.4 Performing exposures	15,776,553	57,413	6,176,458	29,565	7,768,363	18,249	1,889,678	9,335
Total A	**16,498,503**	**687,275**	**6,929,203**	**545,211**	**8,038,465**	**217,667**	**2,023,759**	**157,681**
B. Off-balance-sheet exposures								
B.1 Bad debts	1,462	340	1,853	2,094	536	2	44	48
B.2 Unlikely to Pay	5,171	326	8,140	1,767	13	37	3	12
B.3 Other non-performing exposures	46	12	275	69	520	130	-	-
B.4 Performing exposures	909,132	234	744,040	216	359,832	101	57,184	20
Total B	**915,811**	**912**	**754,308**	**4,146**	**360,901**	**270**	**57,231**	**80**
Total (A+B) (31 Dec. 2017)	**17,414,314**	**688,187**	**7,683,511**	**549,357**	**8,399,366**	**217,937**	**2,080,990**	**157,761**
Total (A+B) (31 Dec. 2016)	**16,229,034**	**732,794**	**7,518,119**	**552,845**	**8,098,836**	**221,233**	**2,042,953**	**173,593**

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.

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.3 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 loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to Pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	9,365,970	-	1,158,639	-	103	-	13,505	-	12,753	-
Total A	**9,365,970**	**-**	**1,158,639**	**-**	**103**	**-**	**13,505**	**-**	**12,753**	**-**
B. Off-balance-sheet exposures										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to Pay	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures	258,218	-	338,569	-	502	-	12,239	-	20,631	-
Total B	**258,218**	**-**	**338,569**	**-**	**502**	**-**	**12,239**	**-**	**20,631**	**-**
Total (A+B) (31 Dec. 2017)	**9,624,188**	**-**	**1,497,208**	**-**	**605**	**-**	**25,744**	**-**	**33,384**	**-**
Total (A+B) (31 Dec. 2016)	**3,300,620**	**-**	**3,902,035**	**-**	**11,025**	**-**	**25,142**	**-**	**19,448**	**-**

On-balance-sheet exposures include loans as well as other financial assets, such as debt securities, with the exception of derivative contracts and equity securities.

Exposures associated to counterparty risk relating to transactions for lending or borrowing securities or commodities are excluded.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees issued, commitments, derivatives) for which credit risk is taken.

B.4 Large risks

As at 31 December 2017, positions showing large risk features, as defined in Circular No. 258/2013 (as updated) were:

a) Of a total nominal amount of Euro 25,208,505 thousand;
b) Of a total weighted amount of Euro 748,485 thousand;
c) A total number of 5.

E. ASSET DISPOSALS

QUALITATIVE DISCLOSURES

E.4. Transactions in covered bonds

In order to increase its liquidity reserves, in 2013 tje Crédit Agricole Italia Banking Group 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, whose “separate” administration is assigned to a special-purpose vehicle (Crédit Agricole Italia OBG – the Special Purpose Entity for the Program, 60% of which is held by Crédit Agricole Cariparma), which acts as the “depositary of loans used as collaterals”. This transaction, which is part of a process for enhancing the efficiency of funding sources, aims at providing Crédit Agricole 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 their 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 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 March 2017, the Parent Company made a new Covered Bond issue on the market, in a dual-tranche format. This new issue received a favourable feedback from institutional investors and the covered bonds were successfully placed for an amount of Euro 1.5 billion, thus allowing funding to be further stabilized at modest costs.

In December 2017, the Parent Company made yet another issue of Covered Bonds on the market, successfully placing Bonds on the market for Euro 0.75 billion.

The disposal portfolio

The loan pool that, each time, is transferred to the Special-Purpose Entity must have some common features.

In May 2013, June 2015, February 2016, February 2017 and November 2017 receivables, i.e.e credit claims, based on mortgage loan contracts were selected, which, as at their respective transfer date, had, by way of example and not limited to, the following common features:

- Credit claims based on mortgage loan contracts:
  - Which are 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 disbursed or purchased by the Crédit Agricole Italia Banking Group;
  - Which are performing with no instalments past due for over 30 days from the 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 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).

Upon the fourth disposal, made on 20 February 2017, the Banks in the Cariparma Crédit Agricole Group transferred a fourth pool to Cariparma OBG S.r.l. for a total principal amount of approximately Euro 2.0 billion (the "Fourth Pool", of which Euro 1.4 billion transferred by Cariparma, Euro 0.4 billion by Banca Popolare FriulAdria and Euro 0.2 billion by Carispezia).

Upon the fifth disposal, made on 27 November 2017, the Banks of the Crédit Agricole Italia Banking Group transferred a fifth pool to Crédit Agricole Italia OBG S.r.l. for a total principal amount of approximately Euro 1.3 billion (the "Fifth Pool", of which Euro 0.9 billion transferred by Crédit Agricole Cariparma, Euro 0.3 billion transferred by Crédit Agricole FriulAdria and Euro 0.1 billion by Crédit Agricole Carispezia).

As at 31 December 2017, the Cover Pool consisted of receivables, i.e. credit claims, resulting from 83,464 mortgage loans, with a total residual debt of approximately Euro 7.3 billion (Euro 4.9 billion transferred by Crédit Agricole Cariparma, Euro 1.6 billion by Crédit Agricole FriulAdria and Euro 0.8 billion by Crédit Agricole Carispezia).

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 S.p.A., Crédit Agricole Carispezia S.p.A., Crédit Agricole FriulAdria S.p.A.;
- 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 S.r.l.; on these accounts the liquidity shall be deposited to be used for the payments 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, the Asset Monitor, tasked by Crédit Agricole Cariparma, shall carry out further verifications, specifically on (i) compliance of the eligible assets making up the Pool with the requirements set by the Legislation and (ii) compliance with the limits set for the transfer and with the issuers' requirements as provided for in the Instructions and (iii) the completeness, truthfulness and promptness of the information made available by investors);
- Guarantor Quotaholders: Crédit Agricole Cariparma and Stichting Pavia (which, in this capacity, have signed the Quotaholders Agreement to exercise the corporate rights associated to the equity investment held by each one of them in Crédit Agricole Italia OBG S.r.l);
- Representative of the Covered Bondholders: Zenith Service S.p.A. (which, in this capacity, exercises, towards Cariparma and Cariparma OBG S.r.l., 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, has the task of providing Cariparma OBG S.r.l. 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 a verification of the controls carried out, at least every 12 months, also using the information received from and the judgements expressed by the Asset Monitor.

Main features of the Program

The Program financial structure envisages that Cariparma may issue Covered Bonds, in more than one subsequent series, 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 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 (Euro 750 million each); these bonds were placed with institutional investors with the support of Dealers such as Crédit Agricole Corporate & Investment Bank, BayernLB, LBBW, Lloyds, Mediobanca, Natixis, Unicredit Bank AG.

In March 2017, Crédit Agricole Cariparma made two issues of Covered Bonds on the market for a total amount of Euro 1.5 billion (Euro 750 million each); these bonds were placed with institutional investors with the support of Dealers such as Crédit Agricole Corporate & Investment Bank, Danske Bank, ING, LBBW, Santander, Unicredit Bank AG.

Moreover, in December 2017, Crédit Agricole Cariparma made a new issue of Covered Bonds on the market amounting to Euro 0.75 billion; these bonds were placed with institutional investors with the support of Dealers such as Crédit Agricole Corporate & Investment Bank, BBVA, Mediobanca.

Therefore, as at 31 December 2017, the nominal value of the bonds issued came to Euro 6.95 billion, of which Euro 1.2 billion worth of retained bonds and Euro 5.75 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

A. General aspects

The Crédit Agricole Italia Banking Group does not engage in significant proprietary trading on financial and capital markets. Moreover, in its capacity as sub-consolidating member of the Crédit Agricole S.A. Group, the CAIBG 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 principle of intermediation.

The trading book of the CAIBG Entities 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, Pillar One capital absorption is calculated in accordance with the standardized approach.

B. Management and measurement of interest rate and price risks

Organisational aspects

The process for the management of market risks is regulated by the relevant risk policy. This document lays down the internal 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/ 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 in charge of Corporate Banking, delegating the relevant powers to the Corporate Banking Department, is the officer responsible for market risk management, and, therefore, sets down and steers the Group's mechanism for the management of Market Risk;
- The Capital Management and Middle Office Service is responsible for ex-post controls, within the Volcker Rule and LBF scope, of perfect back–to-back of the transactions entered by the Capital Market Division on behalf of Customers. In case of any anomalies, it shall report it to the concerned Service and to the RAF and Financial Risk Service;
- 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 global limits system 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 Crédit Agricole Group as a whole. The limits being monitored for market risk have been set using common metrics, such as notional value, Mark-to-Market (MtM) value and Value at Risk (VaR). Global limits (based on the MtM) are validated by the Risk Committee (CRG) of the Crédit Agricole S.A. Group and approved by the Boards of Directors of the single entities of the Crédit Agricole Italia Banking Group. Operational limits are set based on the nominal value and, therefore are, consistently with global limits, adaptations of such global limits by type of asset, product, portfolio, and risk factors

Operational limits are specifically adjusted for each Bank of the Group and are validated by their Boards of Directors.

Control System

Risk monitoring 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 reporting on market risks to the Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are breached, there are significant changes in markets, significant losses, etc.), the Group triggers the alert procedure, reporting the event and a remedial action plan, 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 issues opinions on the approaches used in the models for the pricing of derivatives hedging interest rate, exchange rate and commodity risks, which are sold to Customers in accordance with their needs (non-speculative purpose). These instruments, which are not traded on regulated markets (OTC), are measured with specific models that are commonly used in financial practices and are fed with input parameters (such as interest rate, exchange rate and volatility curves) observed on the market and subject to monitoring processes. The Risk Management and Permanent Controls Department is the owner of the Independent Price Verification process, in compliance with Regulation EU No. 575/2013.

Volcker Rule Local Correspondent

The Volcker Rule Local Correspondent for the Crédit Agricole Italia Banking Group is part of the Finance Department and is responsible for ensuring that the Group is always compliant with the Volcker Rule. The Volcker Rule Correspondent has the task of assessing compliance of the activities carried out with the Volcker Rule, interacting with the persons in charge of the Volcker Rule at a central level within Crédit Agricole SA.

Fair Value Option

In 2017, the fair value option was not exercised for any position.

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	-
1.1 Debt securities	-	-	2	-	-	-	1	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	2	-	-	-	1	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities	-	-	-	-	-	-	-	-
2.1 repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial Derivatives	230,667	2,830,791	1,044,364	721,459	2,288,623	496,732	76,802	-
3.1 With underlying security	-	3,255	2,554	134	154	400	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	3,255	2,554	134	154	400	-	-
+ long positions	-	1,462	1,298	134	154	200	-	-
+ short positions	-	1,793	1,256	-	-	200	-	-
3.2 Without underlying security	230,667	2,827,536	1,041,810	721,325	2,288,469	496,332	76,802	-
- Options	23	1,957	3,380	6,472	57,246	32,146	7,482	-
+ long positions	12	979	1,690	3,236	28,623	16,072	3,741	-
+ short positions	11	978	1,690	3,236	28,623	16,074	3,741	-
- Other derivatives	230,644	2,825,579	1,038,430	714,853	2,231,223	464,186	69,320	-
+ long positions	115,322	1,411,457	522,354	354,304	1,115,612	232,093	34,660	-
+ short positions	115,322	1,414,122	516,076	360,549	1,115,611	232,093	34,660	-

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	-	-	-	-	-	-	-	-
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	-	**254,734**	**99,060**	**107,150**	**4,908**	**26**	-	-
3.1 With underlying security	-	630	-	-	600	26	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	630	-	-	600	26	-	-
+ long positions	-	315	-	-	300	13	-	-
+ short positions	-	315	-	-	300	13	-	-
3.2 Without underlying security	-	254,104	99,060	107,150	4,308	-	-	-
- Options	-	236	216	320	502	-	-	-
+ long positions	-	118	108	160	251	-	-	-
+ short positions	-	118	108	160	251	-	-	-
- Other derivatives	-	253,868	98,844	106,830	3,806	-	-	-
+ long positions	-	128,281	49,422	53,415	1,903	-	-	-
+ short positions	-	125,587	49,422	53,415	1,903	-	-	-

2. Supervisory Trading Book: breakdown of exposures in equity securities and equity indices by the main Countries of the listing market

Type of transactions/Stock Market Index	Listed						Unlisted
	Country 1	Country 2	Country 3	Country 4	Country 5	Rest of the world	
A. Equity securities	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
B. trading of equity securities not yet settled	-	4	-	-	-	-	-
- long positions	-	2	-	-	-	-	-
- short positions	-	2	-	-	-	-	-
C. Other derivatives on equity securities	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
D. Equity Index Derivatives	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-

2.2 Interest rate risk and price risk – Banking book

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of interest rate risk and price risks

General aspects

Asset Liability Management activities refer to all exposures on the Banking Book; therefore, this perimeter does not include exposures on the Trading Book. Fluctuations in interest rates that would impact on the profits of the Crédit Agricole Italia Banking Group, through changes in net interest income, and that would also have an effect on the value of its capital, since they would cause a change in the net present value of future cash flows, are mitigated with hedges that are calibrated also through specific modeling of financial statement items.

Organisational aspects

The process for the management of interest rate risk and price risk regarding the Banking Book of the Entities belonging to the Crédit Agricole Italia Banking Group 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 proper application of the standards and methods for measuring the exposure to interest rate risk, of examining the reporting produced by the Finance Department, as well as to resolve on any measures to be implemented;
- the Risk Management Committee with the task of examining the outcomes of controls on compliance with the RAF and Risk Strategy limits and alert thresholds, as well as any alert procedures that started.

The CFO is responsible for the management and measurement of Interest Rate Risk for the Group as a whole. Through the Finance Department, the CFO sets the methods for managing interest risk in compliance with the applicable regulations and with the methodological indications provided by the Crédit Agricole S.A. Group. The CFO designs operational actions, carries out stress testing exercises based on the guidelines issued by the Crédit Agricole Group and prepares the ICAAP report to be sent to the Controlling Company Crédit Agricole S.A. and to the Regulator.

The Risk Management and Permanent Controls Department is responsible for control. Therefore, it verifies the corporate risk management process and supervises compliance of the risk treatment with the applicable legislation in force and with the Group Risk Strategy. 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 Parent Company Crédit Agricole S.A. Such risk appetite is structured through global limits and operational limits that are defined by the Risk Strategy.

Risk policy and management

The processes for the management of interest rate risk and price risk are governed by the respective risk policies.

These documents set down the internal regulatory system for the management of risks with reference to operations in financial instruments, in terms of:

- Principles, objectives, methodologies and tools used for the measurement, control and management of risks;
- Guidelines and rules on which the risk management and stress testing processes are based.

The management of interest rate risk as designed by the Group aims at ensuring that the single legal entities and the Group as a whole achieve the maximum possible income from the existing positions through proactive management of interest risk hedges. The main financial instruments for the management of interest risk hedges are interest rate derivatives.

The policy for the management of the Banking Book aims mainly at holding 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 the value of 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 internal model of Crédit Agricole S.A. Specifically, within the scope of its tasks, the Risk Management and Permanent Controls Department:

- Independently verifies compliance with the limits and alter thresholds provided for by the RAF and by the Risk Strategy; it also expresses its prior opinion in case of any changes to the approaches and methods used by the Finance Department, while reporting on them to the ALM Committee and to the Risk and Internal Control Committee;
- Submits the outcomes of its verifications to the Controlling Company on a monthly basis and, in case of breach of any one of the limits set down in the Risk Strategy, it triggers the Alert Procedure and analyzes and approved the Action Plan proposed by the corporate structures concerned;

Reports to the Boards of Directors of the single Banks of the Group and to the Risk and Internal Control Committee on any breached limits, problems arisen and compliance with the limits set in the Risk Strategy.

The Risk Management and Permanent Controls Department is responsible for control of compliance with the set limits (global, operational and alert thresholds); therefore, on a monthly basis, it prepares and sends its Financial Risk Report to the Corporate Bodies, which provides information on the control outcomes and on any breaches of limits, and activates, where required, the appropriate alert procedures. On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to the Boards of Directors of each one of the Entities of the Crédit Agricole Italia Banking Group.

Risk measurement: Methodological aspects and limit structure

The model for the measurement of global interest rate risk provides for an analysis of the contractual profile (cash flow generation by maturity), of all balance-sheet items and, where appropriate, for the “modeling” of any and all items that, although not featuring such profile, in terms of asset stability and responsiveness to changes in market interest rates, are among the items that are sensitive to interest rate risk for the Banks of the Group. Specifically, for interest rate risk analysis, the following elements are identified:

- Term loans (fixed-rate and floating-rate);
- Balance-sheet items modelled in accordance with Crédit Agricole S.A. methodological guidelines;
- Balance-sheet items modelled in accordance with an internal statistical analysis able to identify the stable part as to volume and rate over time.

Balance-sheet items contribute to the determination of the “cumulative gap”.

In line with the instructions issued by Crédit Agricole S.A., a set of limits for such gap has been defined, where the limits represent the maximum acceptable level of interest rate risk for the Group. These limits are determined based on the calculation of a series of risk indicators that measure the impact of a change in interest rates on own funds.

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 operations are performed in compliance with the management and strategic directions set by the Top Management.

Consistently with the guidelines issued by the Crédit Agricole S.A. Group, the limit system consists of global limits, operational limits and alert thresholds (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 for the Banking Book stress testing.

Operational limits have the same structure and are then adapted to each single Bank. These limits are approved by the Boards of Directors of the single Banks.

B. 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), as have the mortgage loans with cap to Customers (macro-hedging), government securities in reserves (asset-swap hedging) and fixed-rate gaps detected by the internal model, 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 IASs, the effectiveness of the hedges is assessed by the Finance Department, which carries out the relevant tests on a monthly basis and keeps formal documentation for every hedge.

C. 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 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	**7,497,392**	**21,415,839**	**1,087,612**	**1,366,444**	**5,216,515**	**3,571,703**	**3,760,778**	**154,349**
1.1 Debt securities	-	-	-	170,400	2,703,283	1,160,559	-	154,349
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	170,400	2,703,283	1,160,559	-	154,349
1.2 Loans to banks	638,526	7,233,867	344,062	118,764	300,186	1,113,761	600,831	-
1.3 Loans to customers	6,858,866	14,181,972	743,550	1,077,280	2,213,046	1,297,383	3,159,947	-
- c/a	699,519	333,936	32,840	213,268	107,754	27,791	748,863	-
- Other loans	6,159,347	13,848,036	710,710	864,012	2,105,292	1,269,592	2,411,084	-
- with early repayment option	1,555	259,411	79,717	28,714	16,356	3,116	-	-
- other	6,157,792	13,588,625	630,993	835,298	2,088,936	1,266,476	2,411,084	-
2. On-balance-sheet liabilities	**22,770,468**	**1,410,113**	**756,451**	**1,264,887**	**6,248,694**	**4,183,652**	**4,912,393**	**-**
2.1 Due to customers	22,154,790	156,603	150,936	601,609	2,086	-	2,819,912	-
- c/a	20,797,696	150,724	150,000	600,000	-	-	2,819,912	-
- other due and payables	1,357,094	5,879	936	1,609	2,086	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	1,357,094	5,879	936	1,609	2,086	-	-	-
2.2 Due to banks	613,841	890,427	165,120	101,890	4,370,128	946,922	600,887	-
- c/a	499,860	-	-	-	-	-	-	-
- other due and payables	113,981	890,427	165,120	101,890	4,370,128	946,922	600,887	-
2.3 Debt securities	1,837	363,083	440,395	561,388	1,876,480	3,236,730	1,491,594	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	1,837	363,083	440,395	561,388	1,876,480	3,236,730	1,491,594	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial Derivatives	**270,053**	**287,441**	**72**	**140**	**321,908**	**491,198**	**436,578**	**-**
3.1 With underlying security	-	269,139	-	-	192,075	74,767	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	269,139	-	-	192,075	74,767	-	-
+ long positions	-	269,139	-	-	-	-	-	-
+ short positions	-	-	-	-	192,075	74,767	-	-
3.2 Without underlying security	270,053	18,302	72	140	129,833	416,431	436,578	-
- Options	270,053	18,302	72	140	129,833	416,431	436,578	-
+ long positions	135,012	3,972	36	70	66,707	209,611	220,297	-
+ short positions	135,041	14,330	36	70	63,126	206,820	216,281	-
- Other derivatives	42,100	18,120,800	338,200	2,426,300	6,943,700	7,066,100	1,500,000	-
+ long positions	-	2,300,700	338,200	2,260,300	5,635,700	6,183,700	1,500,000	-
+ short positions	42,100	15,820,100	-	166,000	1,308,000	882,400	-	-
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	**83,096**	**207,952**	**8,642**	**6,483**	**6,994**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	70,697	128,668	-	69	1,538	-	-	-
1.3 Loans to customers	12,399	79,284	8,642	6,414	5,456	-	-	-
- c/a	12,092	7,054	1	3	-	-	-	-
- Other loans	307	72,230	8,641	6,411	5,456	-	-	-
- with early repayment option	63	11,100	1,813	977	136	-	-	-
- other	244	61,130	6,828	5,434	5,320	-	-	-
2. On-balance-sheet liabilities	**252,215**	**63,943**	**2,347**	**7,400**	**971**	**-**	**-**	**-**
2.1 Due to customers	219,913	4,121	-	465	-	-	-	-
- c/a	218,905	4,121	-	465	-	-	-	-
- other due and payables	1,008	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	1,008	-	-	-	-	-	-	-
2.2 Due to banks	32,302	59,822	2,347	6,935	971	-	-	-
- c/a	32,302	-	-	-	-	-	-	-
- other due and payables	-	59,822	2,347	6,935	971	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial Derivatives	**4,369**	**8,679**	**223**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	4,369	8,679	223	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions	**4,369**	**8,679**	**223**	**-**	**-**	**-**	**-**	**-**
+ long positions	2,014	4,399	223	-	-	-	-	-
+ short positions	2,355	4,280	-	-	-	-	-	-

2.3 Exchange rate risk

QUALITATIVE DISCLOSURES

A. 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. 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 that is one of the key components of the overall risk governance model implemented by the Group, consistently with the guidelines given by Crédit Agricole S.A..

Within the process for exchange 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 risk governance policies and management processes;
- The Deputy General Manager in charge of Corporate Banking, through the Capital Market Division, is responsible for risk management, and, therefore, defines and steers the Group's mechanism for the management of exchange rate risk, in compliance with the instructions and resolutions issued by the ALM Committee and by the Risk and Internal Control Committee;
- The Risk Management and Permanent Controls Department is responsible for control. It verifies the corporate risk management process and supervises compliance of the exchange rate risk treatment with the applicable legislation in force and with the Group risk strategy.

The limit structure

The limit structure reflects the level of risk deemed acceptable with reference to the individual business areas and is designed to control that operations are performed in compliance with the management and strategic directions set by the Top Management.

The Group's framework system for exchange rate risk is reviewed on a yearly basis, consistently with the guidelines and the risk appetite set by the Crédit Agricole Group. Such risk appetite is structured through global limits and operational limits that are laid down by the Risk Strategy.

The global limit is set in order to ensure a controlled development of the business. It is calculated as the sum of the amount in Euro of the single positions, is validated by the Risk Committee (CRG) of the Crédit Agricole S.A. Group and submitted for approaval to the Board of Directors of Crédit Agricole Cariparma.

Operational limits are calibrated using the same method used for the global limit, are specifically adjusted for each Bank of the Group and validated by each Bank's Board of Directors.

Control System

The monitoring of global and operational limits, to be carried out on a daily basis, is a task assigned to the Risk Management and Permanent Controls Department. The outcomes of monitoring on limits are included in the monthly Report on Financial Risks. It is sent to the Group's Top Management (CFO), to the Departments engaged in exchange rate risk management (Corporate Banking Department), to the Internal Audit Department and to Crédit Agricole S.A. (Direction Risques Groupe).

A summary of this report is the basis for quarterly reporting on exchange rate risk to the Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are breached, there are significant changes in markets, significant losses, etc.), the Group triggers the alert procedure, reporting the event and a remedial action plan to the Top Management Bodies and to the Direction Risques Groupe of Crédit Agricole S.A.

B. 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 breaching 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 DOLLARS USA	POUND STERLING	JAPAN YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER CURRENCIES
A. Financial Assets	**216,054**	**51,417**	**8,044**	**3,709**	**12,534**	**21,411**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	112,924	49,794	7,126	2,993	9,991	18,144
A.4 Loans to customers	103,130	1,623	918	716	2,543	3,267
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**778**	**504**	**46**	**47**	**369**	**233**
C. Financial Liabilities	**230,348**	**51,532**	**8,176**	**3,640**	**12,510**	**20,670**
C.1 Due to banks	83,720	1,788	1,124	1,091	5,838	8,817
C.2 Due to customers	146,628	49,744	7,052	2,549	6,672	11,853
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**741**	**508**	**21**	**13**	**146**	**76**
E. Financial derivatives	**394,248**	**8,036**	**737**	**13,207**	**46,516**	**1,876**
- Options	550	714	10	-	-	-
+ long positions	275	357	5	-	-	-
+ short positions	275	357	5	-	-	-
- Other derivatives	393,698	7,322	727	13,207	46,516	1,876
+ long positions	197,816	3,596	357	6,727	23,324	1,200
+ short positions	195,882	3,726	370	6,480	23,192	676
Total assets	**414,923**	**55,874**	**8,452**	**10,483**	**36,227**	**22,844**
Total liabilities	**427,246**	**56,123**	**8,572**	**10,133**	**35,848**	**21,422**
Mismatch (+/-)	**12,323**	**249**	**120**	**350**	**379**	**1,422**

2.4 Derivatives

A. Financial Derivatives

A.1. SUPERVISORY TRADING BOOK: CLOSING NOTIONAL VALUES

Underlying assets/Type of derivative	31.12.2017		31.12.2016	
	Over-the-Counter	Central counterparties	Over-the-Counter	Central counterparties
1. Debt securities and interest rates	**5,773,810**	**-**	**5,767,802**	**-**
a) Options	2,222,390	-	2,362,868	-
b) Swaps	3,551,420	-	3,404,934	-
c) Forward contracts	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and equity indices	**174**	**-**	**175**	**-**
a) Options	174	-	175	-
b) Swaps	-	-	-	-
c) Forward contracts	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Foreign exchange and gold	**603,801**	**-**	**441,968**	**-**
a) Options	259,415	-	182,864	-
b) Swaps	-	-	-	-
c) Forward contracts	344,386	-	259,104	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**691**	**-**	**2,537**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
Total	**6,378,476**	**-**	**6,212,482**	**-**

A.2 Banking Book: closing notional values

A.2.1 Hedging

Underlying assets/Type of derivative	31.12.2017		31.12.2016	
	Over-the-Counter	Central counterparties	Over-the-Counter	Central counterparties
1. Debt securities and interest rates	**19,737,044**	**-**	**18,415,534**	**-**
a) Options	1,249,305	-	674,399	-
b) Swaps	18,218,600	-	17,741,135	-
c) Forward contracts	269,139	-	-	-
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	**19,737,044**	**-**	**18,415,534**	**-**

A.3 Financial derivatives: GROSS positive fair value – breakdown by product

Underlying assets/Type of derivative	*Positive fair value*			
	31.12.2017		31.12.2016	
	Over-the-Counter	Central counterparties	Over-the-Counter	Central counterparties
A. Supervisory Trading Book	**62,071**	**-**	**83,267**	**-**
a) Options	6,184	-	7,875	-
b) Interest rate swaps	52,122	-	70,870	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward contracts	3,746	-	4,301	-
f) Futures	-	-	-	-
g) Other	19	-	221	-
B. Banking Book – hedging	**413,547**	**-**	**558,160**	**-**
a) Options	39,793	-	22,404	-
b) Interest rate swaps	372,849	-	535,756	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward contracts	905	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking Book – other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward contracts	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**475,618**	**-**	**641,427**	**-**

A.4 Financial derivatives: GROSS negative fair value – breakdown by product

Underlying assets/Type of derivative	Negative fair value			
	31.12.2017		31.12.2016	
	Over-the-Counter	Central counterparties	Over-the-Counter	Central counterparties
A. Supervisory Trading Book	**67,920**	**-**	**93,854**	**-**
a) Options	5,702	-	7,640	-
b) Interest rate swaps	58,494	-	81,702	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward contracts	3,706	-	4,284	-
f) Futures	-	-	-	-
g) Other	18	-	228	-
B. Banking Book – hedging	**411,805**	**-**	**595,982**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	411,344	-	595,982	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward contracts	461	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking Book – other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward contracts	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**479,725**	**-**	**689,836**	**-**

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 administration bodies	Banks	Financial companies	Insurance undertakings	Non-financial corporations	Other parties
1) Debt securities and interest rates							
- notional value	-	230	-	183,645	-	2,219,313	236,380
- Positive fair value	-	-	-	2,293	-	47,839	210
- Negative fair value	-	-	-	48	-	1,105	1,027
- future exposure	-	-	-	903	-	7,788	36
2) Equity securities and equity indices							
- notional value	-	-	174	-	-	-	-
- Positive fair value	-	-	856	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	14	-	-	-	-
3) Foreign exchange and gold							
- notional value	-	-	192,212	192	-	280,856	834
- Positive fair value	-	-	2,197	2	-	2,893	40
- Negative fair value	-	-	1,744	-	-	2,097	4
- future exposure	-	-	1,998	2	-	3,416	8
4) Other assets							
- notional value	-	-	-	-	-	345	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	18	-
- future exposure	-	-	-	-	-	35	-

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 administration bodies	Banks	Financial companies	Insurance undertakings	Non-financial corporations	Other parties
1) Debt securities and interest rates							
- notional value	-	-	3,134,242	-	-	-	-
- Positive fair value	-	-	5,585	-	-	-	-
- Negative fair value	-	-	60,498	-	-	-	-
2) Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
3) Foreign exchange and gold							
- notional value	-	-	129,708	-	-	-	-
- Positive fair value	-	-	138	-	-	-	-
- Negative fair value	-	-	1,379	-	-	-	-
4) Other assets							
- notional value	-	-	345	-	-	-	-
- Positive fair value	-	-	18	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-

A.7 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 administration bodies	Banks	Financial companies	Insurance undertakings	Non-financial corporations	Other parties
1) Debt securities and interest rates							
- notional value	-	-	269,139	-	-	-	-
- Positive fair value	-	-	905	-	-	-	-
- Negative fair value	-	-	461	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2) Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Foreign exchange and gold							
- notional value	-	-	-	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4) Other assets							
- notional value	-	-	-	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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 administration bodies	Banks	Financial companies	Insurance undertakings	Non-financial corporations	Other parties
1) Debt securities and interest rates							
- notional value	-	-	19,467,905	-	-	-	-
- Positive fair value	-	-	412,642	-	-	-	-
- Negative fair value	-	-	411,344	-	-	-	-
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	**1,682,829**	**3,265,611**	**1,430,034**	**6,378,474**
A.1 Financial derivatives on debt securities and interest rates	1,183,354	3,160,421	1,430,034	5,773,809
A.2 Financial derivatives on equity securities and equity indices	-	174	-	174
A.3. Financial Derivatives on exchange rates and gold	498,785	105,016	-	603,801
B.4 Financial derivatives on other values	690	-	-	690
B. Banking book	**3,302,941**	**6,685,189**	**9,748,916**	**19,737,046**
B.1 Financial derivatives on debt securities and interest rates	3,302,941	6,685,189	9,748,916	19,737,046
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 values	-	-	-	-
Total (31 Dec. 2017)	**4,985,770**	**9,950,800**	**11,178,950**	**26,115,520**
Total (31 Dec. 2016)	**4,087,595**	**10,197,321**	**10,343,100**	**24,628,016**

C. Financial and Credit Derivatives

C.1. OTC financial and credit derivatives: net fair values and future exposure by counterparty

	Governments and Central Banks	Other public administration bodies	Banks	Financial companies	Insurance undertakings	Non-financial corporations	Other parties
1) Bilateral arrangements on financial derivatives							
- Positive fair value	-	-	309,666	-	-	-	-
- Negative fair value	-	-	364,505	-	-	-	-
- future exposure	-	-	201,642	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
2) Bilateral arrangement on credit derivatives							
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3) Cross-product arrangements							
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-

Section 3 – Liquidity risk

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of liquidity risk

General and organisational aspects

Liquidity risk reflects 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 that outgoing liquidity flows can be handled with incoming liquidity flows, in the perspective of supporting continuously normal banking operations;
- Management of structural liquidity: its objective is to maintain the balance between total liabilities and medium-/ long-term assets.

The Crédit Agricole Italia Banking Group implements a liquidity risk management model that is based on the principle of separation of liquidity management and measurement processes from control processes, in compliance with the regulatory requirements and with the guidelines issued by Crédit Agricole S.A.

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 of the Group. This framework is defined as the "Liquidity System".

The model sets 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[4] and the Contingency Funding Plan.
- The CFO, through the Finance Department of Crédit Agricole Cariparma, is the role responsible for management and, specifically, for the preparation of the reporting to the Bank of Italy, as well as of internal reporting on the Group's liquidity situation (Liquidity Report). The Finance Department operates in compliance with the directions given by the ALM Committee.
- The Risk Management and Permanent Controls Department is responsible of 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 Department, it is also responsible for monitoring the ratios provided for in the Contingency Funding Plan.

The process for the management of liquidity risk is regulated by the relevant risk policy.

Risk management and control: methodological aspects

The model adopted for liquidity risk management is based on the monitoring of the short-term component (up to 12 months) and the medium/long-term one.

The main objective of the short-term liquidity management process is to ensure that the Bank is able to meet its on-balance-sheet payment commitments, expected and unexpected, in such a way as not to prejudice normal business.

(4) 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.

A key condition for achieving this objective is to constantly maintain sufficient balance between incoming and outgoing liquidity flows.

The liquidity risk monitoring system considers the following factors:
- Keeping immediate liquidity, i.e. the net balance of customer sources, 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 and 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 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 writedowns. The Group must be able to continue business operations in a serious crisis for a time horizon of one month.

Within Short-Term Liquidity Risk monitoring, on a monthly basis the Bank calculates its Liquidity Coverage Ratio (LCR= Stock of high quality liquid assets/Total net cash outflows in the subsequent 30 calendar days). LCR is a 30-day horizon ratio that simulates the combination of a systemic crises and an idiosyncratic one and measures the ability of the stock of liquid assets to ensure coverage of expected net cash outflows in the subsequent 30 calendar days.

In 2017, in compliance with the Basel III regulatory framework, the LCRs (liquidity coverage ratios) and ALMM (Additional Liquidity Monitoring Metrics) were reported to the Supervisory Authorities on a regular basis.

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). PRS and CRS positive levels substantiate the Group's ability to support its assets during a crisis.

Moreover, 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 and indicators have the purpose of monitoring compliance with the Group's risk appetite and are benchmarked against specific limits laid down by Crédit Agricole S.A. and approved by the Group Risk Committee, upon presentation of the Risk Strategy and then submitted to the Board of Directors of the Parent Company Crédit Agricole Cariparma for its approval.

It is reported that, in 2017, the Parent Company Crédit Agricole Cariparma carried out two Covered Bond issues on the market for a total of Euro 2.25 billion,; the Covered Bonds were fully subscribed by institutional investors. With these transactions, the Group aims at improving its liquidity profile even further, diversifying financing sources and stabilizing them on longer maturities.

In January 2018, the Group made another issue of Covered Bonds on the market for Euro 500 million with 20-year maturity. This issue has achieved very early completion of and has exceeded the funding plan for the next financial year.

In 2017, the Crédit Agricole Italia Banking Group also participated in TLTRO II for an amount of Euro 2.5 billion(5),

Finally, in marketing the Bank's products, 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 control of compliance with the set limits (global, operational and alert thresholds); therefore, on a monthly basis, it prepares and sends its Financial Risk Report to the Corporate Bodies, which provides information on the control outcomes and on any breaches of limits, and activates, where required, the appropriate alert procedures. On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to the Boards of Directors of each one of the Entities of the Crédit Agricole Italia Banking Group.

Jointly with the Finance Department, the Risk Management and Permanent Controls Department is also responsible for monitoring the ratios provided for in the Contingency Funding Plan.

(5) This amounts includes the outstanding TLTRO funding for Euro 200 million obtained by CR Cesena in March 2017

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 month up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets	**1,852,348**	**85,747**	**159,765**	**644,957**	**2,434,853**	**1,440,316**	**3,979,263**	**12,520,923**	**15,605,839**	**5,462,643**
A.1 Government securities	-	-	-	-	37,731	24,539	224,270	2,428,000	957,401	-
A.2 Other debt securities	-	-	-	-	-	-	9,253	6,666	13,334	135,002
A.3 Units of collective investment undertakings	246	-	-	-	-	-	-	-	-	-
A.4 Loans	1,852,102	85,747	159,765	644,957	2,397,122	1,415,777	3,745,740	10,086,257	14,635,104	5,327,641
- banks	131,265	-	724	113,486	1,393,101	345,017	275,166	1,050,088	1,714,550	5,327,641
- customers	1,720,837	85,747	159,041	531,471	1,004,021	1,070,760	3,470,574	9,036,169	12,920,554	-
On-balance-sheet liabilities	**25,688,745**	**9,517**	**112,752**	**166,023**	**416,887**	**672,993**	**1,324,144**	**6,359,087**	**6,972,550**	**-**
B.1 Deposits and current accounts	25,464,593	-	-	127,976	185,377	225,402	708,364	169,995	1,547,550	-
- banks	609,672	-	-	127,206	30,249	75,148	102,085	169,995	1,547,550	-
- customers	24,854,921	-	-	770	155,128	150,254	606,279	-	-	-
B.2 Debt securities	90,878	9,517	112,038	33,007	226,670	438,768	596,369	1,876,586	4,750,000	-
B.3 Other liabilities	133,274	-	714	5,040	4,840	8,823	19,411	4,312,506	675,000	-
Off-balance-sheet transactions	**120,513**	**405,848**	**12,453**	**53,939**	**142,323**	**135,802**	**245,134**	**327,246**	**210,402**	**-**
C.1 Financial derivatives with exchange of principal	-	402,063	9,668	44,280	76,326	103,225	107,960	184,376	75,402	-
- long positions	-	334,114	4,835	22,142	38,154	51,636	54,056	2,265	201	-
- short positions	-	67,949	4,833	22,138	38,172	51,589	53,904	182,111	75,201	-
C.2 Financial derivatives without exchange of principal	120,513	3,785	2,785	9,659	65,997	32,577	137,174	142,870	135,000	-
- long positions	57,039	3,693	1,689	9,603	51,379	27,158	103,364	138,935	-	-
- short positions	63,474	92	1,096	56	14,618	5,419	33,810	3,935	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 month up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets	**88,815**	**24,939**	**9,281**	**123,057**	**46,868**	**8,708**	**1,855**	**9,180**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.4 Loans	88,815	24,939	9,281	123,057	46,868	8,708	1,855	9,180	-	-
- banks	70,766	24,474	1,347	101,065	1,900	-	-	1,538	-	-
- customers	18,049	465	7,934	21,992	44,968	8,708	1,855	7,642	-	-
On-balance-sheet liabilities	**255,620**	**17,924**	**11,619**	**17,737**	**16,714**	**2,360**	**5,021**	**-**	**-**	**-**
B.1 Deposits and current accounts	251,207	17,924	11,619	17,494	16,644	2,186	4,708	-	-	-
- banks	32,302	17,924	10,367	17,369	13,891	2,186	4,239	-	-	-
- customers	218,905	-	1,252	125	2,753	-	469	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	4,413	-	-	243	70	174	313	-	-	-
Off-balance-sheet transactions	**4,369**	**133,523**	**9,586**	**45,521**	**74,783**	**99,283**	**107,148**	**4,908**	**26**	**-**
C.1 Financial derivatives with exchange of principal	-	127,047	9,586	43,436	74,665	99,060	107,148	4,908	26	-
- long positions	-	64,859	4,793	21,717	37,345	49,530	53,574	2,454	13	-
- short positions	-	62,188	4,793	21,719	37,320	49,530	53,574	2,454	13	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	2,566	-	2,085	-	-	-	-	-	-
- long positions	-	2,325	-	-	-	-	-	-	-	-
- short positions	-	241	-	2,085	-	-	-	-	-	-
3) Irrevocable commitments to disburse funds	4,369	3,910	-	-	118	223	-	-	-	-
- long positions	2,014	1,955	-	-	118	223	-	-	-	-
- short positions	2,355	1,955	-	-	-	-	-	-	-	-
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 2017, 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 2017, the residual debt of securitized loans amounted to Euro 3,080 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 1,157 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 1,157 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 SPV with liquidity to pay the coupons, two transactions in Interest Rate Swaps were carried with the SPV for a notional value of Euro 1,157 million and Euro 1,157 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

A. General aspects, management and measurement of operational risks

The Crédit Agricole Italia Banking Group has adopted the definition of operational risk given in “Basel 2 – International Convergence of Capital Measurement and Capital Standards” prepared by the Basel Committee on Banking Supervision.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory 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 (Bank of Italy’s Circular No. 285/2013 as updated);
- To maintain constant full compliance of Crédit Agricole Cariparma, Crédit Agricole Carispezia and Crédit Agricole FriulAdria with the regulatory requirements for the use of the Traditional Standardised Approach (TSA) and of the other entities of the Group with the requirements for the use of the Basic indicator approach (BIA) to calculate their supervisory capital.
- 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

Governance of the Group operational risks is the responsibility of the Risk Management and Permanent Controls Department of Crédit Agricole Cariparma, which implements the guidelines issued by the Risk Management Department of the Controlling Company Crédit Agricole S.A., and reports on a solid line to the latter.

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

In compliance with the supervisory regulations, the Group has formalized the roles and responsibilities of the corporate bodies and structures involved in the management of operational risks.

The governance model provides for:
- a centralized strategy for the control of operational risks;
- close connections with the activities for permanent controls;
- synergies with the Compliance 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, 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) and on Physical Security;
- PRSI (Pilote des Risques SI), in charge of monitoring and control of IT risks on the Information System and on the Business Continuity Plan (BCP or with the Italian acronym PCO);
- CISO (Chief Information Security Officer), who is responsible for the security of corporate information;
- Information Security Manager (ISM): who is responsible for the implementation and management of the Information System operational security;
- Business Continuity Manager (BCM), who is responsible for the Group's Business Continuity Plan;
- Persons in charge of Controls, within the Distribution Network structures, with the task of performing 2nd degree 1st level permanent controls;
- Structures, systems and tools, instrumental for proper risk control and for the management of mitigation/improvement actions, including:
  - The Risk and Internal Control Committee;
  - The 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;
- 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 one 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 owners of 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 system governed by the Compliance Department;
- implementation of the system for control and monitoring of outsourced essential services (FOIE/PSEE) and implementation of the system for control and monitoring oni:
- 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 CA 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).

Risk management oversight and shared solutions

This is the specific task of the Group Risk and Internal Control 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 the mapping of operational risks;
- Governing Business Continuity for the Crédit Agricole Italia Banking Group.
- Monitoring and, if necessary, taking action on Information and Communication Technology (ICT) Risk for the Crédit Agricole Italia Banking Group, assessing the situation based on the periodic reporting made by the PRSI (Pilote des Risques SI) and by the CISO (Chief Information Security Officer) .
- Assessing the dossiers on outsourced important operational functions and essential services (FOIE/PSEE) 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)

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 management and methodological support.

The FOIE/PSEE control function chairs and steers the FOIE/PSEE Interfunctional Work Group.

In 2017, the most important actions concerned:

- The start of the process to revise the ""Regulation Implementing the Group Outsourcing Policy", the perimeter of which includes all types of outsourcing and which, together with the "Policy for the Outsourcing of Corporate Functions":
  - Governs the general process system, taking account also of the actual experience gained internally, as well as of the System best practices;
  - Provides for the activities and obligations for the outsourcing of Information Systems;
  - Defines specific guidelines on 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 2017, the activities of the FOIE/PSEE specific Interfunctional Work Groups continued, mainly aiming at:

- Verifying that the requirements deemed essential are met or continue to be met for newly-outsourced or already outsourced services being reviewed;
- 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 legislation and 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 2017, the structure for the Information and Communication Technology (ICT) Risk Governance was consolidated with full implementation of the Crédit Agricole S.A. Group's guidelines and with the assignment of roles and responsibilities.

Specifically the involved structures are:

- The **Risk Management and Permanent Controls Department** of the Crédit Agricole Italia Banking Group with the setting up within this Department of a unit to be engaged in Control of IT Risks (Information System and Information Security System – Italian acronym **PRSI**);
- The **Human Resources and Strategic Marketing Department** of the Crédit Agricole Italia Banking Group, with the Chief Information Security Officer (**CISO**) placed within this Department, for the Information Security System scope;
- The Head of the **Security Division of Crédit Agricole Group Solutions**, who has been vested with the role of **Security Manager (RSI** – *Responsable de la Sécurité Informatique*) for the Information Security System scope;
- **Crédit Agricole Group Solution** for the Information System scope (other non-Security risks).

Business Continuity Plan (Italian acronym: PCO)

In 2017, 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 2017, the main activities were:

- Full implementation of the actions to comply with the Supervisory regulations (Bank of Italy Circular No. 285/2013) as regards the technical-organizational changes occurred in the Group;
- 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 unavailability of servers or workstations (WS)" and "logic unavailability of the information system with restarting from scratch";
- 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 2017, the exercise continued as regards the specific "BCP Interfunctional Work Groups", in order to share the progress in the relevant activities and to ensure alignment of all corporate structures involved in business continuity.

Loss data

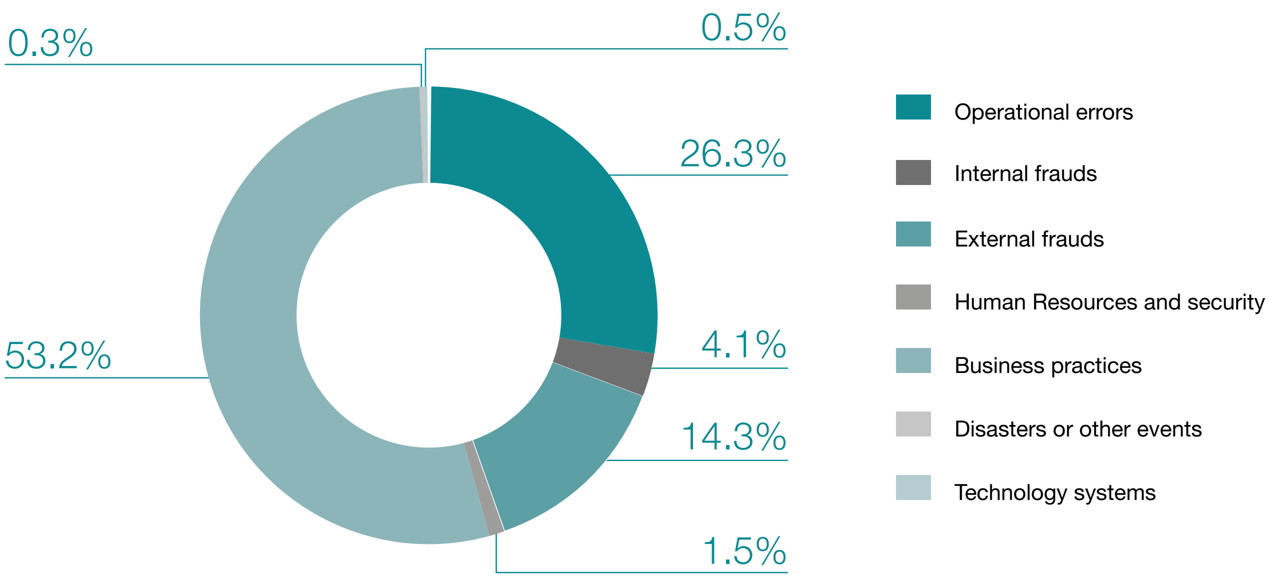
Operational losses, which the model considers as quantitative data, are collected, managed and analyzed, to different levels of granularity and detail, using an event classification scheme complying with the one set by Basel II Framework, by the Supervisory Authority and by Crédit Agricole S.A. The basic structure is as follows:

- internal frauds: events due to deliberate acts committed by at least one party internal to the Bank and causing losses to the Bank;
- external frauds: events due to deliberate acts committed exclusively by parties that cannot be defined as internal to the Bank, generally for the purpose of personal gain;
- Relations with staff and workplace safety: events relating to the relations between the company and its staff or to the failure of the workplace to meet health and safety standards. These include liabilities arising from accidents to employees in company offices or vehicles;
- Business practices: events linked to the supply of products and provision of services to Customers carried out in an improper or negligent manner (fiduciary requirements and adequate information on investments), as well as defects in the nature or features of products/models/contracts. These include liabilities arising from breach of public security laws or other legislation not specific to the banking sector;
- disasters or other events: events due to natural causes or human actions, which lead to damage to company resources (tangible or intangible property, persons, etc.) and/or service interruptions or other events (including improper conduct/illegal acts by third-party companies that damage the company). The category also includes liabilities arising from political changes and retroactive changes in legislation and taxation;
- technological systems and services: losses arising from the malfunctions, logical or structural defects in technological and other support systems;
- execution, delivery and management of processes: events arising from unintentional errors in the management of operational and support assets or caused by counterparties other than Customers and 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 collection excluding insurance-related ones) by event type recognized in 2017 is given below. 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 2016 and in the first six months of 2017, 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 2016 and as of 30 June 2017, showed 36 actions implemented and 1 action to be called off since the situation that had originated it no longer applied, for a total of 31 actions underway as at 30 June 2017.

The backtesting analyses carried out on Retail models as at 30 June 2017 confirmed the discriminating ability of the internal models detected on the development sample, as well as the conservative feature of the risk parameters. 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, consistently with the typical features of the counterparties included in these segments. The use, for management purposes, of internally-estimated risk parameters was further strengthened by rationalizing the system of controls on correct rating calculation during loan authorization and by fine-tuning the tools supporting the loan pricing process. Based on the results of its analyses, the Validation Service has remarked the need for:

- Updating internally-estimated risk parameters, ideally to be carried out within the process underway for model revision;
- Completing the activities provides for by the plan and intended for starting production of the new loan pricing tools.

In January 2018, the Validation Service sent its annual report on the controls performed in 2016 and in the first six months of 2017 to the Bank of Italy; this report focused specifically on the rating system used for the Retail segment.

The 2018 Validation Plan, which was submitted to the Board of Directors of Crédit Agricole Cariparma in February 2018, provides for a wide range of activities, of which the following are worth specific mentioning:

- Validation of the internal models to be used for IFRS 9 application;
- Validation of the new LGD model;
- Controls on correct execution of the 2018 EBA stress tests;
- Monitoring of the performances of 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;
- Analyses aimed at verifying full implementation of the tools for the loan pricing process;
- Monitoring of compliance with the requirements for use 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: breakdown

The breakdown of equity as at 31 December 2017 is given below:

Items/Values	31.12.2017	31.12.2016
1. Capital	934,838	876,762
2. Share premium reserve	2,997,927	2,736,004
3. Reserves	1,007,041	935,195
- income reserves	1,004,251	932,405
a) legal reserve	153,758	143,507
b) reserve provided for by the Articles of Association	848,136	771,450
c) treasury shares	-	-
d) other	2,357	17,448
- other	2,790	2,790
4. Equity instruments	365,000	200,000
5. (Treasury Shares)	-	-
6. Valuation reserves	-4,623	-5,349
- Financial assets available for sale	20,038	19,360
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedging of investments in foreign operations	-	-
- Cash flow hedges	-	-
- Exchange rate differences	-	-
- Discontinuing operations	-	-
- Actuarial gains (losses) pertaining to defined-benefit pension plans	-24,661	-24,709
- Share of Valuation Reserves on investees measured using the equity method	-	-
- Special revaluation laws	-	-
7 Profit (loss) for the year	211,712	205,022
Total	**5,511,895**	**4,947,634**

B.2 Reserves from valuation of financial assets available for sale: breakdown

Assets/Values	31.12.2017		31.12.2016	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	22,070	-192	26,345	-6,590
2. Equity securities	871	-2,711	1,853	-2,152
3. Units of collective investment undertakings	-	-	-	-96
4. Loans	-	-	-	-
Total	22,941	-2,903	28,198	-8,838

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	19,755	-299	-96	-
2. Increases	18,185	18,305	170	-
2.1 Fair value gains	17,777	59	-	-
2.2 Reversal to Income Statement of	-	-	-	-
negative reserves:	-	-	-	-
- for impairment	-	18,246	170	-
- for realization	408	-	-	-
2.3. Other changes	-	-	-	-
3. Decreases	16,062	19,846	74	-
3.1 Fair value losses	812	18,805	74	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to Income Statement of	15,250	1,041	-	-
positive reserves: from realization	-	-	-	-
3.4. Other changes	-	-	-	-
4. Closing Balance	21,878	-1,840	-	-

Section 2 – Own Funds and supervisory requirements

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 supervised entities”.

1. Common Equity Tier 1 (CET1)

The Common Equity Tier 1 of Crédit Agricole Cariparma as at 31 December 2017 consisted of high quality components (share capital, share premium reserves, other reserves) appropriately adjusted for goodwill, other intangible assets, 80% of excess of expected losses vs. value adjustments (the so-called shortfall, referring to the advanced approach), 80% of AFS reserves regarding exposures to central counterparties.

2. Additional Tier 1 (AT1)

The positive elements of Additional Tier 1 included the AT1 instrument amounting to Euro 200 million issued in 2016 and the AT1 instrument amounting to Euro 165 million issued in 2017; its negative elements included 10% of the shortfall and 20% of “unrealized losses” (AFS and actuarial negative reserves).

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in the rep. currency	Book value	AT1 eligible portion
Subordinated loan	29.12.2016	Perpetual	Repayment option starting from 29 Dec. 2021	3M Euribor – 804 b.p.	Euro	200,000	200,000	200,000
Subordinated loan	11.12.2017	Perpetual	Repayment option starting from 11 Dec. 2022	3M Euribor + 513 b.p.	Euro	165,000	165,000	165,000

3. Tier 2 (T2)

As at 31 December 2017, the positive elements of Tier 2 capital included subordinated deposits subscribed by Crédit Agricole S.A. (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 10% of the shortfall.

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in the rep. currency	Boo k value	Tier 2 eligible portion
Subordinated deposit	28.06.2017	28.06.2027	At maturity	3M Euribor + 219 b.p.	Euro	250,000	250,039	250,000
Subordinated deposit	11.12.2017	11.12.2027	At maturity	3M Euribor + 162 b.p.	Euro	400,000	400,288	400,000

B. QUANTITATIVE DISCLOSURES

Items	31.12.2017	31.12.2016
A. Common Equity Tier 1 – CET1 prior to the application of prudential filters	5,016,208	4,611,127
of which CET 1 instruments subject to transitional provisions	-	-
B. CET1(+/-) prudential filters	-483	-3,572
C. CET1 including deductible elements and the effects of the transitional regime (A+/-B)	5,015,725	4,607,555
D. Elements to be deducted from CET1	1,410,570	1,409,039
E. Transitional regime – Impact on CET1 (+/-)	79,478	152,090
F. Total Common equity TIER1 – CET1 (C–D +/–E)	3,684,633	3,350,606
G. Additional Tier 1 – AT1 including deductible elements and the effects of the transitional regime	365,000	200,000
of which AT1 instruments subject to transitional regulations	-	-
H. Elements to be deducted from AT1	-	-
I. Transitional regime – Impact on AT1 (+/–)	-44,577	-85,017
L. Total Additional Tier 1 – AT1 (G-H+/-I)	320,423	114,983
M. Tier 2 – T2 including deductible elements and the effects of the transitional regime	650,000	437,808
of which T2 instruments subject to transitional provisions	-	-
N. Elements to be deducted from T2	-	-
O. Transitional regime- Impact on T2 (+/-)	-39,277	-74,975
P. Total Tier 2 -T2 (M-N+/-O)	610,723	362,833
Q. Total own funds (F+L+P)	4,615,779	3,828,422

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 supervised entities”.

The above ratio shows a Total Capital ratio value that, as at 31 December 2017, ensured full compliance with the thresholds set down by the Supervisory regulations. This performance is also the result of 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/Values	Non-weighted amounts		Weighted amounts/requirements	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISKS	**50,500,115**	**45,221,008**	**15,794,698**	**15,998,696**
1. Standardized Approach	34,271,617	29,476,302	13,059,285	13,271,170
2. IRB approach	16,228,498	15,744,706	2,735,413	2,727,526
2.1 Foundation	-		-	
2.2 Advanced	16,228,498	15,744,706	2,735,413	2,727,526
3. Securitizations	-	-	-	-
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISKS			**1,263,576**	**1,279,895**
B.2 RISK OF VALUE ADJUSTMENTS TO LOANS			**1,499**	**6,342**
B.3 REGULATORY RISK				
B.4 MARKET RISKS			**195**	**113**
1. Standardized Approach			195	113
2. Internal models			-	-
3. Concentration risk			-	-
B.5 OPERATIONAL RISK			**149,621**	**151,612**
1. Basic indicator approach			-	-
2. Standardized approach			149,621	151,612
3. Advanced approach			-	-
B.6 OTHER MEASUREMENT ELEMENTS			-	-
B.7 TOTAL PRUDENTIAL REQUIREMENTS			**1,414,891**	**1,437,962**
C. EXPOSURES AND CAPITAL ADEQUACY RATIOS				
C.1 Risk-weighted assets			17,686,138	17,974,538
C.2 Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio)			20.8%	18.6%
C.3 Tier 1/Risk-weighted assets (Tier 1 capital ratio)			22.6%	19.3%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			26.1%	21.3%

PART G – BUSINESS COMBINATIONS

In June 2017, the Network was reorganized with the transfer of the Verona Head Branch by the Parent Company Crédit Agricole Cariparma to Crédit Agricole FriulAdria, which entailed also the transfer of gross loans to customers amounting to approximately Euro 72 million, of direct funding for Euro 23 million and indirect funding for Euro 11 million.

Considering the reorganization purpose of the transaction and applying the Group accounting policy on business combinations between entities under common control, it has been recognized at book values.

For this transfer, Crédit Agricole FriulAdria paid a consideration of Euro 834 thousand in accordance with the determined value of the transferred business unit; since the accounting mismatch between assets acquired and liabilities assumed was zero, this consideration was directly recognized in equity.

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, 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 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 the operations of Crédit Agricole Cariparma, 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 man benefits awarded to Directors, Auditors and Managers tasked with strategic responsibilities.

	31.12.2017
Short-term employee benefits	8,043
Benefits subsequent to severance from employment	205
Other long-term benefits	-
Employees' severance benefits	-
Share-based payments	-

2. Information on transactions with related parties

Transactions with related parties are the transfer of resources, services or bonds between the Company (or companies directly and/or indirectly controlled) and one or more of the related parties, independently of whether payment was agreed or not. Transactions carried out with related parties have followed the specific procedures provided for by the aforementioned Regulation. In the reporting year, no atypical or unusual transactions were carried out having sizes or features that might jeopardize or affect 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	-	-	-	1,072,064	-	826,624	1,497
Entities exercising significant influence on the Company	-	-	-	-	23,376	-	-
Subsidiaries	83	-	1,606,718	3,467,469	485,566	2,471,282	62,452
Associates	-	-	14,356	-	4,435	-	85
Directors and Managers with strategic responsibilities	-	-	1,513	-	2,278	-	-
Other related parties	5,898	-	3,958,341	555,349	1,855,199	103,954	52,399
Total	**5,981**	**-**	**5,580,928**	**5,094,882**	**2,370,854**	**3,401,860**	**116,433**

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 solution (shares of Crédit Agricole S.A. with a 20% discount vs. market value), and the Multiple solution (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 1,148 million, mainly driven by the net fee and commission income component. The contribution of the Corporate Banking channel to total revenues came to Euro 178 million, decreasing vs. 2016 by -2.9%, due to a decrease in net interest income of -5.4% and with a +2.3% increase in fee and commission income.

As regards costs, the Retail and Private Banking channels posted a -5.2% decrease vs. 2016, with lower risk and a slight decrease in operating expenses (down by -0.7%) vs. the previous year. The costs of the Corporate Banking channel increased (up by +31.8%), subsequent to the trend in the cost of risk.

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 2017, assets of the Retail and Private Banking channels amounted to Euro 18.7 billion, increasing (up by +3.5%) vs. 31 December 2016. Assets of the Corporate Banking channel increased (up by +1.9%), coming to Euro 12.5 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 20.3 billion, slightly decreasing vs. 2016; the contribution of the Corporate Banking channel came to Euro 6.9 billion, increasing (up by +18.9%) vs. the previous year.

It is pointed out that unallocated assets and liabilities report the set of the inter-bank transactions, the issue of the covered bond, as well as other balance sheet aggregates, such as: unallocated property, plant and equipment/ intangible assets, tax assets/liabilities and specific-purpose provisions.

In accordance with IFRS 8, it is reported that the Bank 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 2017

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	495,392	106,983	-7,674	594,701
Net fee and commission income	466,477	67,527	-11,215	522,789
Net profit (loss) on trading activities	2,240	4,047	7,485	13,772
Dividends	-	-	49,934	49,934
Other net operating income (items 90,100,190)	183,959	-59	46,924	230,824
Total operating income	**1,148,068**	**178,498**	**85,454**	**1,412,020**
Losses on impairment of loans	-63,170	-75,938	-289	-139,397
Losses on impairment of AFS financial assets and other financial transactions	-	-	-19,520	-19,520
Staff and administrative expenses and depreciation and amortization	-721,172	-42,135	-193,238	-956,545
Accruals to provisions for risks	-2,216	-5,507	-4,201	-11,924
Total costs	**-786,558**	**-123,580**	**-217,248**	**-1,127,386**
Profit (losses) on equity investments	6,851	301	-1	7,151
Impairment on goodwill	-	-	-	-
Profit on disposal of investments	-	-	236	236
Profit (loss) by segment	**368,361**	**55,219**	**-131,559**	**292,021**
Unallocated operating expenses	-	-	-	-
Operating margin	-	-	-	-
Share of profit of associates attributable to the Group	-	-	-	-
Net profit before taxes	**368,361**	**55,219**	**-131,559**	**292,021**
Taxes	-121,522	-18,216	59,429	-80,309
Profit for the year	**246,839**	**37,003**	**-72,130**	**211,712**
Assets and liabilities				
Assets by segment	18,712,566	12,509,771	280,225	31,502,562
Equity investments in associates	-	-	1,493,704	1,493,704
Unallocated assets	-	-	16,158,737	16,158,737
Total assets	**18,712,566**	**12,509,771**	**17,932,666**	**49,155,003**
Liabilities by segment	20,321,557	6,919,795	1,212,023	28,453,375
Unallocated liabilities	-	-	15,189,733	15,189,733
Total liabilities	**20,321,557**	**6,919,795**	**16,401,756**	**43,643,108**

SEGMENT REPORTING AS AT 31 DECEMBER 2016

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	535,834	113,082	-36,515	612,401
Net fee and commission income	423,441	66,000	4,467	493,908
Net profit (loss) on trading activities	3,532	4,622	1,608	9,762
Dividends	-	-	49,885	49,885
Other net operating income (items 90,100,190)	207,573	41	32,742	240,356
Total operating income	**1,170,380**	**183,745**	**52,187**	**1,406,312**
Losses on impairment of loans	-100,403	-45,872	-631	-146,906
Losses on impairment of AFS financial assets and other financial transactions	-	-	624	624
Staff and administrative expenses and depreciation and amortization	-726,399	-41,866	-202,787	-971,052
Accruals to provisions for risks	-3,336	-6,028	-4,353	-13,717
Total costs	**-830,138**	**-93,766**	**-207,147**	**-1,131,051**
Profit (losses) on equity investments	9,239	463	-	9,702
Impairment on goodwill	-	-	-	-
Profit on disposal of investments	-	-	-175	-175
Profit (loss) by segment	**349,481**	**90,442**	**-155,135**	**284,788**
Unallocated operating expenses	-	-	-	-
Operating margin	-	-	-	-
Share of profit of associates attributable to the Group	-	-	-	-
Net profit before taxes	**349,481**	**90,442**	**-155,135**	**284,788**
Taxes	-124,318	-32,172	76,724	-79,766
Profit for the year	**225,163**	**58,270**	**-78,411**	**205,022**
Assets and liabilities				
Assets by segment	18,084,300	12,277,869	200,688	30,562,857
Equity investments in associates	-	-	1,311,391	1,311,391
Unallocated assets	-	-	12,249,974	12,249,974
Total assets	**18,084,300**	**12,277,869**	**13,762,053**	**44,124,222**
Liabilities by segment	20,624,575	5,819,362	1,105,716	27,549,653
Unallocated liabilities	-	-	11,626,935	11,626,935
Total liabilities	**20,624,575**	**5,819,362**	**12,732,651**	**39,176,588**

FINANCIAL STATEMENTS OF THE CONTROLLING COMPANY CRÉDIT AGRICOLE S.A.

Disclosure pursuant to Article 2497-*bis* of the Italian Civil Code.

ACTIF

	31.12.2016	31.12.2015
Opérations interbancaires et assimilées	**142,726**	**151,285**
Caisse. banques centrales	2,857	2,891
Effets publics et valeurs assimilées	21,160	24,351
Créances sur les établissements de crédit	118,709	124,043
Opérations internes au Crédit Agricole	**285,622**	**275,947**
Opérations avec la clientèle	**3,816**	**3,082**
Opérations sur titres	**40,514**	**36,152**
Obligations et autres titres à revenu fixe	40,507	36,142
Actions et autres titres à revenu variable	7	10
Valeurs immobilisées	**62,421**	**65,457**
Participations et autres titres détenus à long terme	1,182	7,413
Parts dans les entreprises liées	61,102	57,899
Immobilisations incorporelles	23	30
Immobilisations corporelles	114	115
Capital souscrit non versé	**-**	**-**
Actions propres	**31**	**45**
Comptes de régularisation et actifs divers	**20,196**	**29,824**
Autres actifs	5,341	7,842
Comptes de régularisation	14,855	21,982
TOTAL ACTIF	**555,326**	**561,791**

PASSIF

	31.12.2016	31.12.2015
Opérations interbancaires et assimilées	**85,577**	**95,181**
Banques centrales	3	3
Dettes envers les établissements de crédit	85,574	95,178
Opérations internes au Crédit Agricole	**32,734**	**45,523**
Comptes créditeurs de la clientèle	**237,271**	**230,655**
Dettes représentées par un titre	**89,104**	**87,273**
Comptes de régularisation et passifs divers	**25,840**	**31,467**
Autres passifs	9,115	7,984
Comptes de régularisation	16,725	23,483
Provisions et dettes subordonnées	**34,475**	**35,222**
Provisions	1,661	1,569
Dettes subordonnées	32,814	33,653
Fonds pour risques bancaires généraux	**1,076**	**1,040**
Capitaux propres hors FRBG	**49,249**	**35,430**
Capital souscrit	8,538	7,918
Primes d'émission	12,206	11,227
Réserves	12,624	12,605
Écart de réévaluation	-	-
Provisions réglementées et subventions d'investissement	17	26
Report à nouveau	2045	2208
Résultat de l'exercice	13,819	1,446
TOTAL PASSIF	**555,326**	**561,791**

HORS-BILAN DE CRÉDIT AGRICOLE S.A.

(en millions d'euros)	**31.12.2016**	**31.12.2015**
Engagements donnés	**22,438**	**36,782**
Engagements de financement	6,181	14,254
Engagements de garantie	16,257	22,528
Engagements sur titres	-	-

(en millions d'euros)	**31.12.2016**	**31.12.2015**
Engagements reçus	**61,465**	**51,104**
Engagements de financement	51,179	26,370
Engagements de garantie	10,286	24,734
Engagements sur titres	-	-

COMPTE DE RÉSULTAT DE CRÉDIT AGRICOLE S.A.

	31.12.2016	31.12.2015
Intérêts et produits assimilés	10,466	10,566
Intérêts et charges assimilées	(12,849)	(12,866)
Revenus des titres à revenu variable	3,513	4,014
Commissions (produits)	941	921
Commissions (charges)	(869)	(974)
Gains ou pertes sur opérations des portefeuilles de négociation	81	(146)
Gains ou pertes sur opérations des portefeuilles de placement et assimilés	46	356
Autres produits d'exploitation bancaire	85	80
Autres charges d'exploitation bancaire	(59)	(52)
Produit net bancaire	**1,335**	**1,899**
Charges générales d'exploitation	(746)	(735)
Dotations aux amortissements et aux dépréciations sur immobilisations incorporelles et corporelles	(14)	(15)
Résultat brut d'exploitation	**575**	**1,149**
Coût du risque	(16)	(220)
Résultat d'exploitation	559	929
Résultat net sur actifs immobilisés	**13,074**	**(807)**
Résultat courant avant impôt	13,633	122
Résultat exceptionnel	**-**	**-**
Impôt sur les bénéfices	213	1,357
Dotations/reprises de FRBG et provisions réglementées	(27)	(33)
RÉSULTAT NET DE L'EXERCICE	**13,819**	**1,446**

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:	31.12.2017
Statutory audit of annual accounts	505
Certification services	123
Other services	2,200
Total	**2,828**

Annexes

International Accounting Standards endorsed up to 31 December 2017

List of IASs/ IFRSs		Endorsing EU Regulation
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 – 2017/1988
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 – 2017/1987
IFRS 16	Leases	2017/1986
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 – 2017/1990
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 – 2017/1989
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 Statement	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

List of IASs/ IFRSs		Endorsing EU 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 – Position as at 16 January 2018

TAX INFORMATION ON RESERVES

Tax information on equity reserves

	Reserves and provisions that do not form part of Shareholders' income in case of distribution	Reserves and provisions that form part of the Company's taxable income in case of distribution	Reserves and provisions that form part of the Company's taxable income in case of distribution	Undistributable valuation reserves
Share premium reserve	2,955,483	42,444	-	-
Riserve – Contributions for share capital increase	-	-	-	-
Reserve pursuant to It. Leg. D. 124/93 – Art. 13	-	314	-	-
Legal reserve	-	-	153,758	-
Extraordinary Reserve	-	-	937,939	-
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	-
Reserves from valuation of available-for-sale financial assets	-	-	-	20,038
Reserve from actuarial valuation of defined-benefit plans	-	-	-	-24,661
Reserve for share-based payments	517	-	1,033	-
Reserve for free assignation of shares	-	-	1,240	-
Reserve from adjustment of Transfer Purchase Price	-	-	605	-
Reserve for interest on Additional Tier 1 Instruments	-	-	-15,640	-
Reserve for purchases of business units	-	-	-3,853	-
Reserve for disposal of business units	-	-	21,536	-
TOTAL	**2,956,000**	**42,758**	**1,006,210**	**-4,623**

Shareholders' equity

possible use and distributability (pursuant to Article 2427 – paragraph 7-bis)

Liabilities	Amount		Possible uses (*)	Distributable portion	Summary of uses in last three years	
					For loss coverage	For other reasons
Capital	-	934,838	-	-	-	-
Equity instruments	-	365,000	-	-	-	-
Share premium reserve	-	2,955,483	A, B , C (4)	2,955,483	-	-
Share premium reserve taxable pursuant to Law 266/2005	-	42,444	A, B (2), C (3)	42,444	-	-
Reserves	-	1,007,041	-	-	-	-
Legal reserve	153,758	-	A(1), B	-	-	-
Extraordinary Reserve	937,939	-	A, B, C	937,939	-	-
Reserve – Contributions for share capital increase	-	-	A	-	-	-
Reserve pursuant to It. Leg. D. 124/93 – Art. 13	314	-	A, B, C	314	-	-
Reserve for 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	21,536	-	A, B, C	21,536	-	-
Reserve for interest on Additional Tier 1 Instruments	-15,640	-	A, B, C	-15,640	-	-
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	-	-4,623	-	-	-	-
Reserve from valuation of assets available for sale	20,038	-	-	-	-	-
Reserve from actuarial valuation of defined-benefit plans	-24,661	-	-	-	-	-
Profit for the year	-	211,712	-	-	-	-
Total	**1,002,418**	**5,511,895**	**-**	**3,941,617**	**-**	**-**

(*) 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 the fifth one 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 revaluations	L.11.2.62 N.74	L.19.2.73 n.823	L.2.12.75 n.576	L. 19.3.83 n.72	L.30.7.90 n.218	L.29.12.90 n.408	L.30.12.91 n.413	Merger '94	Merger '97	Total Cost	Accumulated depreciation as at 31.12.2017	Net book value as at 31.12.2017
VIA UNIVERSITA'. 1 - PARMA	1,891,495	-	510,263	195,089	2,039,910	6,708,770	-	428,631	-	-	11,774,158	2,706,404	9,067,755
VIA CAVESTRO. - PARMA	1,713,474	-	385,900	-	1,501,229	3,609,776	-	389,474	-	-	7,599,854	2,356,878	5,242,976
AGENZIA CITTA' N.1 - PARMA	832,165	-	99,914	-	249,070	983,272	-	378,832	-	-	2,543,252	1,281,742	1,261,510
AGENZIA CITTA' N.3 - PARMA	1,514,061	-	56,793	3,788	285,627	807,691	-	189,474	-	-	2,857,434	1,461,713	1,395,720
AGENZIA CITTA' N.6 - PARMA	1,058,369	-	2,406	25,203	112,926	159,997	-	166,015	-	-	1,524,915	869,446	655,470
AGENZIA CITTA' N.8 - PARMA	980,447	-	37	-	382,861	887,578	-	319,388	-	-	2,570,312	1,236,549	1,333,762
AGENZIA CITTA' N.9 - PARMA	583,998	-	15,987	-	186,612	319,851	-	149,334	-	-	1,255,783	639,620	616,163
AGENZIA CITTA' N.4 - PARMA	3,705,392	-	-	-	-	1,954,872	-	607,415	-	-	6,267,678	3,876,126	2,391,552
AGENZIA CITTA' N.2 - PARMA	994,432	-	-	-	-	702,580	-	81,752	-	-	1,778,765	862,436	916,329
TALIGNANO	657,722	-	-	-	-	1,710,026	289,767	-	-	-	2,657,515	628,013	2,029,501
VIA SPEZIA C.S.C. - PARMA	42,042,848	-	-	-	-	22,803,265	42,608	3,941,633	-	-	68,830,354	32,609,089	36,221,265
PARMA - VIA SPEZIA -(PODERE MARTINELLA)	509,274	-	-	-	-	42,090	-	-	-	-	551,364	-	551,364
ALBARETO	179,826	-	-	-	-	64,005	-	22,958	-	-	266,788	181,325	85,463
BARDI	129,082	-	11,930	5,967	61,540	106,574	-	76,594	-	-	391,687	233,504	158,183
BASILICANOVA	312,598	-	-	-	57,102	167,520	13,316	147,621	-	-	698,157	330,505	367,653
BEDONIA - NUOVA SEDE	608,247	-	-	-	-	182,435	-	112,306	-	-	902,988	524,525	378,463
BERCETO	153,751	-	2,161	11,500	61,274	87,586	-	55,926	-	-	372,197	194,895	177,302
BORGOTARO	459,981	-	11,389	18,401	95,615	128,117	-	16,994	-	-	730,498	419,595	310,903
BUSSETO FILIALE	721,956	-	22,360	-	-	468,356	-	100,485	-	-	1,313,158	695,731	617,427
CALESTANO	50,358	-	9,321	1,911	47,801	94,609	-	17,398	-	-	221,398	118,351	103,047
COENZO	371,668	-	1,808	-	-	138,121	-	9,465	-	-	521,062	296,684	224,378
COLLECCHIO	2,106,646	-	-	-	-	288,117	-	191,196	-	-	2,585,959	1,250,272	1,335,687
COLORNO - NUOVA SEDE	956,352	-	-	-	-	786,454	-	108,667	-	-	1,851,473	955,108	896,365
CORNIGLIO	146,714	-	26,353	928	48,146	194,040	-	35,078	-	-	451,259	185,678	265,581
FIDENZA AGENZIA N.1	2,052,296	-	83,677	29,665	215,527	307,531	-	-	-	-	2,688,696	1,054,177	1,634,519
FIDENZA AGENZIA N.2	610,559	-	-	-	28,659	345,710	-	48,093	-	-	1,033,021	508,036	524,986
FONTANELLATO	740,879	-	29,897	-	111,655	379,247	-	15,582	-	-	1,277,260	631,882	645,378
FORNOVO TARO	1,210,968	-	8,156	19,437	-	198,065	-	14,142	-	-	1,450,768	735,596	715,172
LANGHIRANO	943,338	-	42,532	12,128	90,543	562,140	-	50,672	-	-	1,701,353	592,626	1,108,727
MEDESANO	215,788	-	18,132	9,531	108,953	219,782	-	40,468	-	-	612,653	274,743	337,910
MILANO	2,382,304	-	-	-	-	1,555,993	-	158,469	-	-	4,096,766	2,477,159	1,619,607
MONCHIO	43,829	-	1,143	5,726	59,171	90,515	-	10,666	-	-	211,050	115,186	95,864
NEVIANO ARDUINI	70,829	-	3,954	2,574	46,044	88,290	-	11,935	-	-	223,627	119,655	103,972
NOCETO - FILIALE	808,965	-	14,143	10,558	76,036	108,038	-	28,103	-	-	1,045,842	551,942	493,899
PALANZANO	70,340	-	974	8,767	46,594	122,582	-	13,092	-	-	262,349	145,018	117,331
PELLEGRINO - FILIALE	236,593	-	15,431	2,998	49,259	182,482	-	19,224	-	-	505,987	229,065	276,922
PIEVEOTTOVILLE	44,007	-	342	-	45,249	73,623	-	8,525	-	-	171,744	93,556	78,188
POLESINE	474,863	-	-	-	-	150,460	-	70,135	-	-	695,458	420,042	275,416
PONTETARO	749,182	-	19,513	3,367	66,243	93,310	26,289	116,981	-	-	1,074,883	539,468	535,415
ROCCABIANCA	771,806	-	-	-	-	241,824	-	17,912	-	-	1,031,541	563,454	468,087
SALA BAGANZA	87,452	-	46,459	6,907	72,054	323,203	-	59,315	-	-	595,390	218,518	376,871
SALSOMAGGIORE	1,604,794	-	60,047	41,818	338,509	424,119	-	16,718	-	-	2,486,005	1,309,631	1,176,374
S.MARIA DEL TARO	54,209	-	3,146	-	58,320	100,472	-	10,200	-	-	226,347	135,017	91,331

Description	Book value net of revaluations	L.11.2.62 N.74	L.19.2.73 n.823	L.2.12.75 n.576	L. 19.3.83 n.72	L.30.7.90 n.218	L.29.12.90 n.408	L.30.12.91 n.413	Merger '94	Merger '97	Total Cost	Accumulated depreciation as at 31.12.2017	Net book value as at 31.12.2017
S.SECONDO	433,017	-	145	-	105,674	392,743	-	71,430	-	-	1,003,008	442,205	560,803
S.ANDREA BAGNI	211,545	-	1,859	-	-	129,517	-	5,253	-	-	348,174	217,548	130,626
SISSA	554,176	-	3,353	7,578	-	159,671	-	27,414	-	-	752,193	322,259	429,935
SOLIGNANO	26,999	-	4,209	5,424	51,082	97,942	-	9,218	-	-	194,874	114,761	80,113
SORAGNA	247,913	-	18,533	17,254	67,759	177,224	-	39,340	-	-	568,023	269,076	298,947
SORBOLO	1,347,054	-	-	-	-	651,020	-	62,444	-	-	2,060,517	1,323,360	737,158
SUZZARA	1,040,682	-	-	-	-	539,476	-	18,414	-	-	1,598,572	1,031,409	567,163
TABIANO TERME	68,799	-	757	19,119	85,501	132,004	-	16,618	-	-	322,800	196,877	125,923
TRAVERSETOLO	1,273,083	-	23,043	8,221	72,176	259,432	-	84,935	-	-	1,720,889	726,778	994,111
ZIBELLO	190,307	-	136	-	98,960	278,852	-	6,056	-	-	574,311	321,786	252,526
PARMA AG. 11	527,548	-	-	-	-	131,803	-	54,888	-	-	714,239	714,239	-
SPORTELLO AREA S.P.I.P.	935,911	-	-	-	-	14,843	-	9,560	-	-	960,314	458,151	502,163
AGENZIA DI CITTA' N. 5	4,151,904	-	-	-	-	2,518	-	-	-	-	4,154,422	2,154,460	1,999,963
LANGHIRANO AGENZIA 3	406,312	-	-	-	-	138	-	-	-	-	406,449	255,784	150,666
VIA MISTRALI 1/3 - PARMA	4,856,769	-	369,753	377,014	1,508,925	-	897,799	2,460,915	-	-	10,471,175	4,124,236	6,346,940
B.GO S. AMBROGIO 3/5/7 - PARMA	1,703,080	-	-	-	140,699	-	1,050,126	295,927	-	-	3,189,833	1,551,651	1,638,181
VIA EMILIO LEPIDO. 12/A - PARMA	1,109,178	-	-	-	179,927	-	498,958	177,237	-	-	1,965,300	1,146,897	818,403
PIAZZA DEL POPOLO. 22 - LANGHIRANO	57,180	-	34,618	15,494	162,684	-	255,039	217,764	-	-	742,779	388,541	354,238
PIAZZA MIODINI. 2 - FELINO	801,375	-	35,969	10,329	87,798	-	301,908	220,281	-	-	1,457,660	691,931	765,729
PIAZZA GRAMSCI. 24 - SALA BAGANZA	553,532	-	15,749	-	235,765	-	670,239	14,659	-	-	1,489,945	765,430	724,516
STRADA PER BUSSETO. 135 - FONTEVIVO	283,298	-	11,927	20,658	103,291	-	350,998	299,492	-	-	1,069,664	456,807	612,857
STRADA PROVINCIALE. 59 - FONTANELLE	84,888	-	9,533	2,582	45,448	-	151,905	63,487	-	-	357,844	190,663	167,181
VIA M, LIBERTA'. 322 - MEZZANI	32,302	-	5,127	5,210	38,218	-	65,506	53,984	-	-	200,348	129,600	70,748
VIA LA SPEZIA. 8 - COLLECCHIO	790,506	-	-	-	73,636	-	59,469	641,640	-	-	1,565,250	854,916	710,335
LAGRIMONE	172,191	-	-	-	-	-	99,980	-	-	-	272,171	233,435	38,736
STRADA ASOLANA. 128 - S. POLO TORRI	828,722	-	-	-	-	-	-	11,996	-	-	840,718	379,964	460,754
VIA GRAMSCI. 13 - PARMA	555,871	-	-	-	-	-	436,369	70,280	-	-	1,062,521	570,180	492,341
VIA MACALLE' 11 - AGAZZANO	147,426	-	-	-	72,046	53,139	-	27,352	-	-	299,963	88,147	211,816
VIA EMILIA OVEST 18 - ALSENO	365,797	-	-	-	51,646	108,998	-	47,211	-	-	573,652	254,799	318,853
PIAZZA COLOMBO 11 - BETTOLA	91,437	-	-	-	61,975	134,658	-	27,484	-	-	315,554	175,265	140,290
PIAZZA S.FRANCESCO 11/A - BOBBIO	279,757	-	-	-	43,608	112,497	-	20,969	-	-	456,830	239,996	216,834
VIA ROMA 23 - BORGONOVO VAL TIDONE	461,737	-	-	-	56,810	87,567	-	31,598	-	-	637,713	282,132	355,581
VIA EMILIA PARMENSE 146 - CADEO LOC	476,176	-	-	-	-	16,673	-	102,983	-	-	595,833	328,877	266,956
PIAZZA BERGAMASCHI 4 - CALENDASCO	286,091	-	-	-	-	36,431	-	41,650	-	-	364,172	138,478	225,694
VIA ROMA 8 - CAORSO	329,568	-	-	-	98,127	101,462	-	41,257	-	-	570,413	246,398	324,016
GALLERIA BRAGHIERI 1 - CASTEL S.GIO	687,245	-	-	-	171,844	413,391	-	88,751	-	-	1,361,231	673,023	688,208
VIA CAVOUR 1/A - CORTEMAGGIORE	269,434	-	-	-	77,469	87,409	-	35,055	-	-	469,367	198,561	270,806
VIA DEL CONSORZIO 7 - FERRIERE	172,784	-	-	-	-	4,523	-	53,147	-	-	230,454	164,688	65,767
CORSO GARIBALDI 120 - FIORENZUOLA D	620,870	-	-	-	135,487	183,413	-	114,352	-	-	1,054,121	400,630	653,492
VIA ROMA 63 - GRAGNANO TREBBIENSE	298,660	-	-	-	41,317	23,034	-	29,569	-	-	392,580	182,818	209,762
P.ZZA CASTELLANA 22 - LUGAGNANO VAL	756,011	-	-	-	65,107	28,660	-	26,297	-	-	876,076	326,647	549,429
VIA MARTIRI LIBERTA' 35 - MONTICELL	478,002	-	-	-	-	-	-	69,145	-	-	547,147	300,875	246,273
PIAZZA INZANI - MORFASSO	189,384	-	-	-	-	-	-	49,730	-	-	239,113	191,565	47,548
PIAZZA VITTORIA 25 - OTTONE	58,894	-	-	-	15,494	33,085	-	7,709	-	-	115,182	54,185	60,997
LARGO DAL VERME 3 - PIANELLO VAL TI	463,183	-	-	-	-	60,751	-	9,449	-	-	533,382	232,830	300,553
VIA MONTE GRAPPA 49 - PODENZANO	482,625	-	-	-	67,139	115,376	-	70,923	-	-	736,063	383,649	352,414
VIA VITTORIO VENETO 90 - PONTE DELL	499,905	-	-	-	-	172,170	-	99,830	-	-	771,905	374,810	397,095
PIAZZA TRE MARTIRI 11 - PONTENURE	714,468	-	-	-	-	-	-	68,083	-	-	782,552	455,195	327,356
VIA EMILIA EST 33 - ROTTOFRENO	47,391	-	-	-	56,810	61,128	-	24,581	-	-	189,910	108,925	80,986
VIA ANGUISSOLA 4 - TRAVO	255,953	-	-	-	-	1,640	-	38,548	-	-	296,141	149,035	147,105

Description	Book value net of revaluations	L.11.2.62 N.74	L.19.2.73 n.823	L.2.12.75 n.576	L. 19.3.83 n.72	L.30.7.90 n.218	L.29.12.90 n.408	L.30.12.91 n.413	Merger '94	Merger '97	Total Cost	Accumulated depreciation as at 31.12.2017	Net book value as at 31.12.2017
VIA MORO 4 - VILLANOVA SULL'ARDA	394,324	-	-	-	-	57,044	-	71,327	-	-	522,695	213,821	308,873
VIA ZIANO 9 - VICOBARONE DI ZIANO P	48,378	-	-	-	15,494	14,084	-	8,451	-	-	86,408	52,912	33,495
VIA ROMA 175 - ZIANO PIACENTINO	69,449	-	-	-	20,658	45,381	-	8,838	-	-	144,327	73,816	70,511
VIA POGGIALI 18 - PIACENZA	4,193,866	-	-	769,851	1,567,362	5,788,954	-	1,952,811	-	-	14,272,844	5,193,030	9,079,814
VIA COLOMBO 101 - PIACENZA	1,220,450	-	-	-	-	195,554	-	196,597	-	-	1,612,602	803,259	809,342
VIALE DANTE ALIGHIERI 14 - PIACENZA	1,639,173	-	-	-	-	426,870	-	215,624	-	-	2,281,667	1,133,409	1,148,258
PIAZZA CAIROLI 3 - CODOGNO	1,273,128	-	-	-	-	171,309	-	217,624	-	-	1,662,061	1,074,341	587,720
CORSO MILANO 65 - VIGEVANO	260,099	-	-	7,230	-	163,008	-	17,382	-	-	447,720	218,291	229,429
PIAZZA VOLTA 4 - VIGEVANO	351,224	-	-	15,494	-	270,714	-	11,718	-	-	649,150	232,776	416,374
PIAZZA DUCALE 43 - VIGEVANO	1,828,905	-	-	129,114	1,077,258	1,004,817	-	417,537	-	-	4,457,631	1,299,300	3,158,331
VIA LAVATELLI 32 - CASSOLNOVO	402,239	-	-	10,329	-	91,583	-	21,130	-	-	525,281	216,515	308,766
VIA COTTA 2 - GAMBOLO'	416,272	-	-	10,329	-	94,165	-	4,474	-	-	525,240	264,081	261,158
VIA XXV APRILE 17 - PARONA	141,905	-	-	-	-	75,689	-	12,941	-	-	230,535	97,991	132,543
PIAZZA CAMPEGI 2 - TROMELLO	452,983	-	-	-	-	78,092	-	17,078	-	-	548,152	196,527	351,626
VIALE CAMPARI 12 - PAVIA	661,928	-	-	-	-	22,047	-	32,726	-	-	716,700	408,219	308,481
VALENZA	360,598	-	-	55,996	250,688	-	-	90,441	853,142	-	1,610,864	835,269	775,595
VINOVO	511,557	-	-	-	-	-	-	20,734	148,416	-	680,707	352,842	327,865
VIA ARMORARI 4 - MILANO	10,034,678	-	1,313,331	-	7,266,549	-	-	19,847,235	7,308,423	-	45,770,216	11,404,027	34,366,189
VIA ARMORARI 8 - MILANO	4,809,650	-	-	-	-	-	-	7,164,345	5,498,307	-	17,472,302	4,431,852	13,040,450
VIA FARINI 82 - MILANO	2,715,312	-	-	-	-	-	-	932,758	278,224	-	3,926,293	3,013,295	912,999
P.ZZA FRATTINI 19 - MILANO	613,149	-	81,632	-	371,849	-	-	543,908	268,264	-	1,878,803	1,126,175	752,628
VIA MUSSI 4 - MILANO	561,546	-	92,969	-	291,282	-	-	439,674	275,121	-	1,660,592	990,682	669,910
VIA PISTRUCCI 25 - MILANO	706,384	-	41,673	-	127,048	-	-	258,173	351,453	-	1,484,732	776,567	708,165
VIA RIPAMONTI 177 - MILANO	572,057	-	103,421	-	335,697	-	-	381,513	161,503	-	1,554,191	968,813	585,377
P.ZZA VELASCA 4 - MILANO	590,720	-	191,991	-	192,122	-	-	433,140	889,114	-	2,297,086	1,379,066	918,020
CORSO MAZZINI 2 - CREMONA	2,047,775	25,087	350,772	-	2,076,157	-	-	1,870,791	803,837	-	7,174,419	3,000,773	4,173,646
VIA CAVOUR 40/42 - CASALMAGGIORE	275,121	2,359	22,273	-	-	-	-	36,030	292,244	-	628,027	297,221	330,806
P.ZZA MUNICIPIO 3-9-11 - CASTELVERD	59,476	-	5,526	-	-	-	-	17,998	94,559	-	177,558	99,022	78,536
VIA GIUSEPPINA 152 - CINGIA DE'BOTT	9,619	429	5,941	-	-	-	-	12,612	74,914	-	103,516	62,896	40,620
P.ZZA VITT.VENETO 4 - 6 - CORTE DE'	138,546	-	713	-	-	-	-	7,370	47,582	-	194,210	84,871	109,339
VIA MAZZINI 8 - GRUMELLO CREMONESE	156,931	59	2,644	-	-	-	-	9,162	66,174	-	234,970	85,262	149,708
VIA ROMA 8 - GUSSOLA	57,627	-	7,753	-	-	-	-	58,355	51,318	-	175,052	118,725	56,327
VIA ROMA 1 - PIEVE D'OLMI	16,523	-	12,488	-	-	-	-	21,534	48,712	-	99,258	62,919	36,339
LARGO DELLA VITTORIA 7 - PIZZIGHETT	460,567	-	-	-	178,694	-	-	99,878	20,092	-	759,231	415,860	343,371
VIA DELLA LIBERTA' 10-16 - RIVAROLO	385,352	-	1,600	-	-	-	-	90,021	14,886	-	491,859	365,724	126,135
VIA MARTIRI LIBERTA' 48-50 - ROBECC	138,623	948	8,786	-	-	-	-	15,957	81,443	-	245,757	82,093	163,664
VIA GIUSEPPINA 15-17 - S.GIOVANNI I	639,232	664	3,813	-	-	-	-	11,034	54,843	-	709,585	343,385	366,201
V.LE G.MATTEOTTI 6-8 - SESTO CREMON	112,536	508	3,370	-	-	-	-	12,890	76,972	-	206,277	90,506	115,771
VIA GARIBALDI 2 - VESCOVATO	19,949	51	12,911	-	-	-	-	18,956	106,168	-	158,035	92,246	65,789
VIA MARSALA 18 - LODI	680,930	4,127	113,691	-	-	-	-	259,762	1,051,150	-	2,109,661	1,166,893	942,768
LARGO CASALI 31 - CASALPUSTERLENGO	829,097	-	-	-	211,740	-	-	409,979	266,529	-	1,717,344	1,170,288	547,056
VIA ROMA 5 - S.GIULIANO MILANESE	759,784	-	43,900	-	232,406	-	-	369,534	73,368	-	1,478,993	816,947	662,045
P.ZZA DEI CADUTI 10 - SANT'ANGELO L	913,952	1,411	13,012	-	-	-	-	66,702	8,769	-	1,003,845	396,063	607,782
VIA I. NIEVO 18/VIA OBERDAN - MANTO	4,764,118	-	-	-	-	-	-	1,560,197	321,766	-	6,646,081	5,430,169	1,215,912
P.ZZA XX SETTEMBRE 23 - ASOLA	340,960	1,501	19,641	-	-	-	-	66,395	227,909	-	656,407	253,266	403,141
VIA G. MATTEOTTI 18 - CASTELLUCCHIO	649,682	-	-	-	-	-	-	226,505	49,464	-	925,652	662,102	263,550
VIA XXV APRILE 1 - MARMIROLO	165,914	-	10,252	-	-	-	-	78,068	61,702	-	315,935	197,571	118,364
VIA PIAVE 18-20 - OSTIGLIA	97,295	-	-	-	-	-	-	54,938	77,867	-	230,101	138,967	91,133
VIA CUSTOZA 124 - ROVERBELLA	222,438	-	14,949	-	-	-	-	22,589	155,423	-	415,400	161,609	253,790
P.ZZA DEL LINO 4 - PAVIA	1,122,034	3,079	92,263	-	481,035	-	-	941,760	217,178	-	2,857,349	2,035,260	822,089

Description	Book value net of revaluations	L.11.2.62 N.74	L.19.2.73 n.823	L.2.12.75 n.576	L. 19.3.83 n.72	L.30.7.90 n.218	L.29.12.90 n.408	L.30.12.91 n.413	Merger '94	Merger '97	Total Cost	Accumulated depreciation as at 31.12.2017	Net book value as at 31.12.2017
VIA VITT.VENETO 2 - BELGIOIOSO	178,132	1,151	11,204	-	-	-	-	21,180	229,336	-	441,002	208,087	232,916
VIA EMILIA 371 - BRONI	877,172	-	-	-	328,983	-	-	300,316	50,149	-	1,556,619	966,034	590,585
V.LE CERTOSA 78 - CERTOSA DI PAVIA	496,776	-	4,692	-	120,851	-	-	82,275	28,618	-	733,212	328,442	404,770
VIA CARDINAL MAFFI 2 - CORTEOLONA	47,714	-	9,608	-	-	-	-	20,950	74,440	-	152,711	91,584	61,128
VIA ROMA 24 - PIEVE PORTO MORONE	159,526	-	-	-	-	-	-	53,937	84,966	-	298,429	166,725	131,704
VIA G. MATTEOTTI 26/28 - CREMA	758,467	4,822	56,297	-	298,140	-	-	628,944	257,319	-	2,003,989	1,137,236	866,753
P.ZZA GARIBALDI 3 - ANNICCO	131,986	1,176	3,176	-	-	-	-	52,652	67,277	-	256,269	129,354	126,915
P.ZZA DELLA LIBERTA' 21 - CASALBUTT	76,957	506	31,536	-	-	-	-	57,722	100,940	-	267,661	160,330	107,331
P.ZZA DELLA LIBERTA' 6 - PADERNO PO	60,910	-	4,106	-	-	-	-	14,653	84,481	-	164,150	89,866	74,284
VIA MILANO 20-22 - PANDINO	365,669	1,731	27,915	-	-	-	-	66,462	159,407	-	621,184	214,250	406,934
VIA G. VEZZOLI 2 - ROMANENGO	760,174	795	12,932	-	-	-	-	21,601	110,278	-	905,780	319,532	586,247
VIA F. GENALA 17 - SORESINA	470,045	830	35,251	-	-	-	-	97,091	382,504	-	985,722	436,967	548,755
VIA ROMA 73 - TRIGOLO	80,678	129	8,539	-	-	-	-	14,433	61,857	-	165,635	75,029	90,607
IFIC- ASILO NIDO AZIENDALE-C/ OCAVAGNARI	2,330,007	-	-	-	-	271,083	-	48,005	-	-	2,649,095	443,288	2,205,807
Total Assets revalued	164,219,067	51,365	4,815,451	1,903,488	26,058,963	62,536,667	5,210,276	55,453,188	22,068,408	-	342,316,873	149,767,665	192,549,208

Description	Book value net of revaluations	L.11.2.62 N.74	L.19.2.73 n.823	L.2.12.75 n.576	L. 19.3.83 n.72	L.30.7.90 n.218	L.29.12.90 n.408	L.30.12.91 n.413	Merger '94	Merger '97	Total Cost	Accumulated depreciation as at 31.12.2017	Net book value as at 31.12.2017
MOBILIO E ARREDAMENTI	41,109	-	3,414	18,701	-	-	-	-	-	-	63,224	63,224	-
EQUIPMENT	136,294	-	1,584	10,554	-	-	-	-	-	-	148,432	148,432	-

EQUITY INVESTMENTS AND ASSETS AVAILABLE FOR SALE	Book value net of revaluations	L. 30.7.90 No. 218	Impairment	Measurement of equity investments /AFS assets	Total Cost	Net book value as at 31.12.2017
CRÉDIT AGRICOLE FRIULADRIA SPA	1,019,675,909	-	- 108,158,006	-	911,517,903	911,517,903
CREDIT AGRICOLE GROUP SOLUTIONS	34,672,000.00	-	-	-	34,672,000	34,672,000
CALIT SRL	146,300,000	-	- 47,133,000	-	99,167,000	99,167,000
MONDOMUTUI CARIPARMA S.R.L.	2,280	-	-	-	2,280	2,280
CRÉDIT AGRICOLE CARISPEZIA SPA	295,376,055	-	-	-	295,376,055	295,376,055
CARIPARMA 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
CASSA DI RISPARMIO DI CESENA SPA	52,963,333	-	-	-	52,963,333	52,963,333
CASSA DI RISPARMIO DI RIMINI SPA	41,749,417	-	-	-	41,749,417	41,749,417
CASSA DI RISPARMIO DI SAN MINIATO SPA	35,287,250	-	-	-	35,287,250	35,287,250
CRÉDIT AGRICOLE REAL ESTATE ITALIA	300,000	-	-	-	300,000	300,000
FIERE DI PARMA SPA	23,068,359	- 416,050	-	-	22,652,309	22,652,309
BANCA D'ITALIA	152,350,000	-	-	-	152,350,000	152,350,000
CE.P.I.M. SPA	801,542	- 44,831	-	810,351	1,567,062	1,567,063
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 SPF	1	-	-	-	1	1
FIDI TOSCANA	226,616	-	-	- 15,059	211,557	211,557
IMPIANTI SRL	-	-	-	-	-	-
PIACENZA EXPO SPA (EX SO.PR.A.E. SPA)	1,348,404	94,063	- 452,840		989,627	989,627
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	- 119,090	-	78,124	78,124
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	-	-	-	-	-	-
CA FIDUCIARIA S.P.A.	400,000	-	-	-	400,000	400,000
UNIPOLSAI ORD RA	15,445,574	-	-	- 2,696,080	12,749,494	12,749,494
COOPERARE	1,141,984	-	-	93,432	1,235,416	1,235,416
SCHEMA VOLONTARIO	18,193,668	-	- 18,193,668	-	-	-
TARGETTI POULSEN SFPA	184,628	-	-	-	184,628	184,628
TARGETTI POULSEN SFPB	17,603	-	-	-	17,603	17,603
TOTAL EQUITY INVESTMENTS AND ASSETS AVAILABLE FOR SALE	**1,840,966,899**	**74,941**	**- 175,595,994**	**- 1,775,097**	**1,663,670,749**	**1,663,670,750**

CONSOLIDATED NON-FINANCIAL STATEMENT 2017

CRÉDIT AGRICOLE

CONSOLIDATED NON-FINANCIAL STATEMENT 2017

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Methodological Note and reading guide

The Crédit Agricole Italia Banking Group (CAIBG), in its capacity as a Public Interest Entity (pursuant to Article 16, paragraph 1, of Italian Legislative Decree No. 39 of 27 January 2010) having sizes – in terms of employees, balance sheet and net revenues – exceeding the thresholds laid down in Article 2 paragraph 1, is subject to Italian Legislative Decree No. 254 of 30 December 2016 (hereinafter referred to as Decree 254) “Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups”.

Therefore, this Consolidated Non-Financial Statement (NFS) of the CAIBG as at 31 December 2017 has been prepared in accordance with Decree 254 and is stand-alone document separate from the Management Report, as well as an integral part of the documentation of the 2017 Annual Report.

As required by the applicable legislation, the NFS reports information relating to environmental matters, social and employee-related matters, respect for human rights, anti-corruption and anti-bribery matters, as relevant in accordance with the features of the Group’s entities, for full disclosure and reporting on them and on the resulting impacts[(1)],

Sections of the Consolidated Non-Financial Statement	Material topics	Contents of Decree 254
Social aspects	Service quality and innovation	N.a.
	Responsible lending and access to credit	N.a.
	Support to businesses and to the agri-food sector	N.a.
	Proximity to Customers and Communities (proximity bank)	N.a.
	Involving the Communities	N.a.
Fight against active and passive corruption	Integrity in governance processes and in business management	Fight against active and passive corruption, setting forth also the tools used for this purpose
Respect for human rights	Theme that is not directly relevant and has been dealt with in compliance with Decree	Measures implemented to prevent any violation of human rights, as well as the actions undertaken to prevent any discriminatory attitudes and conducts
Staff Management	Internal exchange of views, welfare and equal opportunities	Social aspects regarding staff management, actions implemented to endure gender equality
	Work relationships and development of human resources	Social aspects regarding staff management, measures aimed at implementing international conventions and methods and procedures for exchange of views and interaction with Social Partners
Environment and health and safety aspects	Protection of the environment and promotion of the green economy	The use of energy resources distinguishing between those from renewable and non-renewable sources, and the use of water resources; emissions of greenhouse gases and polluting emissions in the atmosphere; the impact on the environment and on health and safety, where possible based on realistic assumptions or scenarios, also medium-term ones, or other environmental and health risk material factors

(1) See Article 3 paragraph 1

In order to harmonize information reporting and clearly indicate the connection with the aforementioned legislation, for every thematic scope, the theme materiality for the CAIBG operations is set forth (see page 20), as are the risks associated thereto, the Company's policies and commitments and the results obtained and monitored with specifically designed indicators that can represent the performance of operations.

Performance results have been calculated using the *GRI Standards of the Global Reporting Initiative*(2) and stated along with the same results for the two previous years. Since this reporting year, the CAIBG has shifted from the "GRI-G4" guidelines to the new "GRI Sustainability Reporting Standards". On the other hand, specific information on financial activities is reported in accordance with the industry-specific supplement to the GRI-G4 guidelines "*G4-Financial Services Sector Disclosures*". Based on the above, adopting the approaches designed by the new Standards, this document makes reference to the indicators listed in the "Appendix" attached hereto.

With specific regard to this point, the CAIBG has adopted the indicators provided for by the GRI Standards with a "GRI-referenced" approach.

At the end of 2017, the CAIBG started and completed the acquisition of three Banks with the so-called "Fellini Combination": this combination was finalized on 21 December 2017 with the purchase from the Voluntary Scheme of the Italian Interbank Deposit Protection Fund (hereinafter the "Voluntary Scheme") of 95.3% of the share capitals of Cassa di Risparmio di Cesena S.p.A., Banca Carim S.p.A. and Cassa di Risparmio di San Miniato S.p.A. (hereinafter the "Banks"). Each one of the Banks would be in the scope of application of Italian Legislative Decree No. 254/16, since all of them have sizes exceeding the thresholds laid down in Article 2 paragraph 1, in terms of number of employees, balance sheet and net revenues. In the 2017 Annual Report and Financial Statements, the financial activities of the three Banks have been consolidated only as regards the period from 21 December to 31 December 2017. While fully acknowledging the principle based on which, from an accounting standpoint, the consolidation obligation concerns entities that are subsidiaries as at the reporting date, the CAIBG has decided not to consolidate the Banks in its Consolidated Non-Financial Statement (NFS), because, pursuant to Decree 254, the core of the reporting process is the materiality theme (Article 3 paragraph 1) which reads that the statement shall be prepared "to the extent required to ensure full understanding of the business activities" in accordance with different specific topics"that are material and relevant taking account of the specific business operations and features". CONSOB (Italian Securities and Exchange Commission) has interpreted this provision in its Regulation implementing Italian Legislative Decree No. 154 of 30 December 2016, n. 254 relating to reporting information of a non-financial nature, which reads that information "shall be selected in accordance with a "materiality" principle that identifies only information that can ensure full understanding of the reporting entity's business activity, performance, results and of the impacts it produces on the non-financial topics set forth in the Decree". The CAIBG believes that, with the consolidation for just 10 calendar days of Banks featuring a limited scope of operations when compared with the one of the GBCAI, the non-financial impacts generated by the Banks are immaterial when compared with the ones generated by the CAIBG. Therefore, even though the materiality analysis in preparation of its non-financial reporting has included the Banks, the contribution of the Banks regarding non-financial activities to the Group's performance in 2017 is believe to be immaterial, because of the short consolidation timeframe combined with the smaller business of the Banks. The Banks will be consolidated in the NFS from the reporting year starting on 1 January 2018. In any case, for a first survey on the Banks' sustainability profile, please see the following paragraph on page 6.

Therefore, the scope of consolidation of the information contained in the NFS is the same one as used for the Consolidated Financial Statements and given on page 98 of the Management Report, except for the three Banks Cassa di Risparmio di Rimini, Cassa di Risparmio di Cesena and Cassa di Risparmio di San Miniato, and for their subsidiaries(3).

(2) See Article 3 paragraph 5 The GRI Standards are the most widely used global standards for sustainability reporting.
(3) See Article 4, paragraph 1

The data and information reported herein refer to the Group's performances in the reporting year closed as at 31 December 2017. Such data and information have been collected and consolidated by the various corporate structures in charge of the specific matters, extracting data from the Group's information systems, invoices issued and internal and external reports, under the coordination of the Internal Communication and Corporate Social Responsibility (CSR) Division.

Where deemed necessary and appropriate, the NFS has been supplemented with other information given in the Management Report, in the Report on Corporate Governance and Ownership Structure and on the Company's website (www.credit-agricole.it), every piece of which can be found and consulted thanks to specific references[4],

Pursuant to Article 3, paragraph 10, of Italian Legislative Decree No. 254 of 30 December 2016 and Article 5 of CONSOB Regulation No. 20267, this document has been subject to limited review by an independent audit firm in order to provide stakeholders with a guarantee of the accuracy and reliability of the reported information.

The Board of Directors of the CAIBG approved the Consolidated Non-Financial Statement on 27 March 2018.

The NFS has been published in the "Corporate Social Responsibility" section of the Company's website.

The sustainability profile of Cassa di Risparmio di Rimini, Cassa di Risparmio di Cesena and Cassa di Risparmio di San Miniato.

The transaction that led to the consolidation of the three Banks within Crédit Agricole was carried out also in order to strengthen the Group's distinctive feature of proximity to the communities. Indeed, Banca Carim, Cassa di Risparmio di Cesena and Cassa di Risparmio di San Miniato (hereinafter in this paragraph referred to as "the Banks") are leading players in their respective communities and important partners of the local economy.

As mentioned before, the non-financial performances of the three Banks have not been exhaustively reported in this document, since they have been deemed immaterial for the Consolidated Non-Financial Statement.

The main Sustainability actions and commitments of the three Banks in 2017 are summarized below and are consistent with the material topics found through the analysis carried out for the Group as a whole in Italy.

Cassa di Risparmio di Cesena (CRC) has recently designed a new service model that is based on customer segmentation logics and on the subsequent introduction of specialist commercial roles. Moreover, consistently with its service model evolution, the Bank has also started a Change Management project, with which it has redesigned, and enhanced the quality of, the logics at the basis of **relations with Customers**, where the priority is welcoming and knowing the Customers, in order to focus even further on their centrality. Through its range of products and services, CRC is attractive also for international players that view the Bank in a leading role within the process for the **strengthening of the local economy** of Romagna. It has promoted **access to credit** adopting the ABI-MEF "First Home Guarantee Fund" Protocol, which favours lending to Customers, giving also priority to young people, including "atypical" workers. As regards loans against the transfer of one fifth of salary/pension, it established a cooperation agreement with the company Pitagora S.p.A., providing for various types of loans, such as specific lines for Inps and Inpdap pensioners. Moreover, it ensured management of its bank accounts also through home banking services provided to business customers and having all order-giving/information-receiving functions. Its range of remote-banking products also includes the CRCesena application dedicated to Individuals, the Easy-Net Business corporate banking product and the X-Pay multichannel platform. As regards businesses, **its commitment towards the agri-food sector** has continued: proximity to the communities and sector players, with a specialist approach based on advisory services and full

(4) Cfr, art 5. comma 4

supply chain perspective. Moreover, it has continued to implement actions to provide support to small and medium enterprises based in the communities it operates in, which are still being impacted by the effects of the economic crisis. With its "*Mutuo per la ripresa*" (Mortgage Loan for Recovery), the Bank has continued to allocate funds intended as incentives for **enterprises to invest**, with loans at subsidized terms and conditions for the purchase of mew machinery and equipment, for projects to develop technology research and innovation, market surveys, technology adoption or improvement, know-how acquisition. The Bank has again proposed its *Finanziamento per acquisto scorte* project, with loans to finance the purchase of goods or stock inventories as needed for the enterprise production process, as well as *Finanziamenti per il pagamento delle imposte e delle 13e e 14e mensilità*, loans for the payment of taxes and employees' 13th and 14th monthly pays, thus supporting the enterprises' liquidity. The initiative dedicated to **new businesses started by women or young people**, *Mutuo Start-up*, continued with the objective of fostering their setting-up and development. The Bank has also implemented some initiatives aimed at supporting SMEs with international operations: access to credit by these enterprises has been facilitated, their **internationalization** promoted and they have been provided with the possibility to develop new growth in foreign markets, using the Central Guarantee Fund that steps in for up to 80% of the loan applied for. Several loans have been designed at subsidized terms and conditions for players in the tourism sector, also to finance works for **energy performance upgrading** and consumption saving of hotels. Finally, the products with environment-related purposes include the adoption of the initiative of the new Home Guarantee Fund, consisting of mortgage loans paid out also to increase energy efficiency of the borrowers' homes.

In order to provide **incentives to players in the agri-food sector, Cassa di Risparmio di San Miniato** (Carismi) has designed its *Servizio Finanza Agevolata e Agricoltura* (Subsidized Finance and Agriculture Service). This service has been designed consistently with the business plan objective of "*preparing a dedicated range of products and services for the agricultural sector – identified as a sector having high potential for development and low credit riskiness – which will be developed also through agreements with the sector players and trade associations* …". In this perspective, the Subsidized Finance and Agriculture Service has established agreements with players and trade association in this sector, along with **specific commercial initiatives for SMEs**, aimed at establishing cooperation arrangements with entities, Confidi (Italian mutual loan-guarantee consortia) and trade association, able to provide businesses based in Tuscany with the opportunity to take out loans at subsidized terms.

In order to improve **access to financial services**, the Bank has also proposed Bancadinamica, a web channel that provides a service model that is consistent with its community bank approach, with a Personal Assistant for every need of Customers. The SmartCash product completed its trial phase and provides Customers with the possibility to withdraw cash at ATMs using their smartphones or tablets, rather than debit cards, thanks to the QR Code technology.

The action to **enhance the efficiency of internal processes** has continued, with specific regard to **anti-money-laundering** with the implementation of an application that allows the staff to view, monitor and manage, in a single dashboard, Customer positions in case of alerts from the integrated sub-systems.

Finally, **Carim** has long been supporting **social credit and ethical finance** initiatives, with the Eticredito brand, relying on a broad social base, through a widespread network of branches and to the benefit of a large number of Customers. After the merger with Eticredito – Banca Etica Adriatica, CARIM has continued to operate as a socially responsible player, giving priority in its relations with Customers to transparency, clarity and to its will to create value for the communities it operates in. The value of the intangible asset that Eticredito took into Carim consists in microcredit and ethical finance experiences, in entrepreneurial ability and contribution to society, efficiency and equity, enhancing the community, its networks and subsidiarity. Carim has established and enhanced relationships with Non-profit organizations engaged in social assessment and reporting of persons in need of financial support, signing specific agreements. These Organizations, Third Sector players or Public Administration Agencies, constantly interact with the Bank and provide assistance, support, counselling and tutoring services to the borrowers, in order to mitigate the risk of social marginalization and to increase awareness and responsible use of money. In most cases, the loans are in an **inclusive credit with** social purpose scope and consist of small amounts lent to people that are barely at subsistence levels. The first "entrepreneurial" credit initiatives have also been started to give credit lines aimed at the **incorporation or strengthening of small enterprises**. In this regard, the Bank supports the *Nuove Idee*

Nuove Imprese (New Ideas New Enterprises) initiative aimed at transforming business ideas into start-ups in order to revitalize the economic fabric of the Province of Rimini. In accordance with the designed format, young entrepreneurs are provided with tutorship, legal, tax and commercial advisory services, all completely free of charge. Moreover, the Bank participates in the Forum on Positive Economy in Italy, organized by Positive Planet Foundation and by the San Patrignano Community. The Forum has the objective of promoting a new economic model, serving society, which is supported by researchers, entrepreneurs, academics, economists that get together to share and promote innovative ideas in the economic and social field, for responsible, sustainable and inclusive growth, in the interest of future generations. Carim has adopted the Protocol of Understanding of the Municipality of Rimini to finance interventions aimed at **enhancing energy efficiency** and savings, which allows the beneficiaries to receive grants for interest due regarding the interventions carried out. Moreover, with the **financial and entrepreneurial education** *Sbankiamo* project, it has promoted the dissemination of key concepts for aware management of money, given the basics on the banking and financial sectors and provided incentives for the development of a business-oriented approach in new generations.

As regards staff management, **Cassa di Risparmio di Cesena** has signed an agreement with the Trade Unions, which provides for an Early Voluntary Redundancy Plan intended for resources that will become eligible for pension by 31 December 2023 and that will be able to voluntary opt to receive the benefits of the Solidarity fund for banking sector employees. As to training, the Bank organized several initiatives aimed at **developing skills**, in technical, regulatory and managerial terms, of its resources. Priority was given to legislation and regulatory matters, such as **anti-money-laundering and MiFID** II. Several technical training course have been provided to its financial advisors on market analysis and the design of financial portfolios, on wealth protection and succession. Several training sessions have also been provided, again to financial advisors, on the correct techniques for selling and proposing products to Customers. Specific **training courses** have been started for the new roles provided for by the Supplementary Agreement signed in October with the Trade Unions. New bespoken training courses have been designed for the development of managers, account managers and specialist roles, as well as for the Network staff.

Carismi has boosted the management and training of its human resources, in order to increase their skills consistently with the company's needs and with the requirements of its target market. The training objectives pursued with the implementation of the **Training Plan** have focused on the **professional development of young people** for newly-recruited resources, the Network distribution model, compliance with the new regulatory requirements and with the requirements of internal and external Control Authorities, with specific regard to **MiFid, anti-money-laundering** and loan management. In compliance with the Supervisory provisions on Banks' remuneration and incentive policies and practices issued by the Bank of Italy, the Bank has updated its "Remuneration Policies" document adopting a revised version. The structure in charge of the Anti-money-laundering function is engaged in preventing and fighting any **money-laundering and terrorism financing transactions**, focuses on protecting the Bank from the risk of being used for unlawful activities, adopting so-called active cooperation conducts, reporting any transactions that give rise to suspicion of illegal origin of transferred funds.

Carim has implemented the "hub & spoke" new organizational model of the distribution network, based on which 16 new managers of its flagship branches have been appointed. Within this project, 5 young resources have been appointed to the role of branch manager for the first time, thus fostering the **process for its resources' professional growth** aimed at train and reward the Bank's best performing resources.

The Bank has implemented training actions with different methods: in class, remote, on the job mentoring, participation in workshops or meetings. The techniques developed by external firms for the effectiveness of the distribution Network's actions have been focused on, with specific regard to **coaching** (targeted actions carried out at branches and concerning branch managers and staff) and to managerial training (specific sessions in class designed to increase the managerial skills of hub heads). As usual, the management of human resources has focused on the largest possible **involvement of employees** ensuring, both through meetings with the Top Management and through internal communication, right motivation and the promotion of the Bank's values and principles.

In the reporting year, an agreement was reached with the Trade Unions on the redundancies at Carim and Cassa di risparmio di San Miniato.

Based on the agreement, 243 redundancies have been provided for, only on a voluntary basis and with incentives, with a maximum stay in the Solidarity Fund of 80 months, specifically 147 at San Miniato by 2019 and 96 at Carim by 2023; recruitment of all apprentices on the staff of the two Banks, with a permanent employment contract, has been provided for.

Moreover, the maintenance of the company health care policies has been agreed on, as well as of the contributions for employees having children with disabilities and the extension of the respective supplementary contracts to 2019. Finally, no solidarity days have been planned and the intention has been expressed on starting new training courses for the resources that will replace the workers that have opted for voluntary redundancy at both Banks.

THE CRÉDIT AGRICOLE GROUP
WORLDWIDE

1 st
BANCASSURER IN EUROPE

1 st
ASSET MANAGER IN EUROPE

139,000
EMPLOYEES

52Mln
CUSTOMERS WORLDWIDE

THE CRÉDIT AGRICOLE GROUP IN ITALY

3.1 Bln€

REVENUES*

257 Bln€

CUSTOMERS' DEPOSITS AND FUNDS UNDER MANAGEMENT**

64 Bln€

LOANS TO THE ITALIAN ECONOMY*

OVER 14,000

STAFF

4 Mln

CUSTOMERS IN ITALY

* FCA Bank considered at 25% for all its operations; integration of Pioneer Investments since 3 July 2017 and of CR Rimini, CR Cesena and CR San Miniato since 21 December 2017

** Including "out-of-Group" Amundi AuM, CACEIS Assets under Custody, and CR Rimini, CR Cesena and CR San Miniato direct and indirect funding

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, operates in the 11 Italian Regions that account for 73% of the population and generate 80% 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 BANKING
with 1,010 branches and 49 Small Business centers

PRIVATE BANKING
with 22 markets and 12 sub-centers

CORPORATE BANKING
with 21 markets and 14 sub-centers
1 Large Corporate Area

FINANCIAL ADVISORS
with 9 markets

Listening to Customers, trust, confidence, social responsibility, innovation, internationality and quality: These are the Group's driving values:

- **Quality of its relations** with Customers as a key value conveyed through a system ensuring that Customers are constantly **listened to** and focused on, combined with high-level service
- **Social responsibility** as an integral part of its **corporate culture**
- Innovation as **new digital services** that allow Customers to make transactions also remotely and that supplement direct relations without replacing them
- Highly-specialized **dedicated services:**
  - ✓ **Investment advisory services combined with digital services,** in order to meet the expectations of advanced Customers through the Financial Advisors and Private Bankers Network
  - ✓ A **complete service model for the Large Corporate segment**, thanks to innovative payment services, to the International Desk service that assists small and medium enterprises in their international development, and to the considerable commercial **synergies** with the other Companies of the Crédit Agricole Italia Group
  - ✓ A full range of products and specialist advisory services for the **agri-food sector**
  - ✓ A new service model dedicated to **small businesses** with teams of advisors for thorough coverage of the areas of operations.

Its belonging to a sound international group such as Crédit Agricole strengthens **the soundness of the Crédit Agricole Italia Banking Group** that proved once again a leading player in the Italian banking system.

CAPITAL STRENGTH AS AT 31 DECEMBER 2017: CET 1 11.6% (TOTAL CAPITAL RATIO 15.1%)

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.

610	29.8 Bln€	81.4 Bln€
points of sale	worth of loans	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.**

206	7.2 Bln€	15.5 Bln€
points of sale	worth of loans	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.

100	2.7 Bln€	6.8 Bln€
points of sale	worth of loans	worth of total funding

CRÉDIT AGRICOLE
LEASING

Crédit Agricole Leasing operates in the property, equipment, vehicle and energy leasing segments. **At the end of 2017, the 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.

On **21 December 2017**, Crédit Agricole Cariparma finalized the purchase from the Italian Interbank Deposit Protection Fund – Voluntary Scheme of 95.3% the share capitals of **Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A.** (hereinafter the "Banks").
This acquisition allows **depositors to be protected, jobs to be retained and the Banks to be enhanced**, since they will benefit from being integrated into a strong and international banking group, with significant positive externalities on the economy of the communities of operations and on the interests of the various stakeholders.
Indeed, the three Banks are cornerstones in their communities: the plan for the Banks' integration aims at **enhancing their distribution networks inside the Group**, leveraging on their strong bond with their communities, also by **developing their Human Resources.**

This transactions stands on sound strategic reasons for the Group that will:

DEVELOP
Its Customer-focused Proximity Bank Model

GROW
In long-standing areas of operations with high potential

INCREASE
in "size" and become more competitive

MAXIMIZE
Industrial synergies

The Group has also **prepared a 2017-2020 forward-looking plan aimed at ensuring that the three Banks reach adequate profitability**, by improving the cost of credit and by generating synergies.

CASSA DI RISPARMIO DI CESENA S.p.A.

Founded in 1841, Cassa di Risparmio di Cesena has been a cornerstone for the **economic development of the Cesena and Romagna areas**, the driving sectors of which are craft trade, small enterprises, agriculture, export of fruit and vegetables, tourism, residential building and footwear manufacturing. Through its branches, it provides its Customers with services ranging from strictly banking ones to financial intermediation and wealth management.

BANCA CARIM

Founded in Rimini in 1840, it is the **partner bank for households and small-medium enterprises based in the Rimini Province**. Strongly rooted in the Adriatic Riviera and in the Romagna inland, it operates also in the Marche, Umbria and Lazio Regions. In 2013, subsequent to the merger by absorption of Eticredito – Banca Etica Adriatica S.p.A., it became the first Italian commercial bank operating institutionally with ethical finance projects.

CARISMI
CASSA DI RISPARMIO DI SAN MINIATO S.p.A.

Founded in 1830, Cassa di Risparmio di San Miniato is **one of the oldest savings Banks in Italy**. Its original Articles of Association sets forth that its main purpose is "being a bank for the people, for the inhabitants also of small and remote communities". Even though in different forms, this purpose still informs the operations of the Bank that is still deeply rooted in the social and economic fabric of the communities it operates in, promoting the Tuscany Region and its high-quality enterprises well beyond the regional borders.

DESCRIPTION OF BUSINESS ACTIVITIES

The CAIBG's services are in an omnichannel mode and thus available at any time and in any place; the Group also provides innovative and digitally-integrated advisory services for investment through a network of Financial Advisors. Another distinctive feature is the International Desk, designed to provide support to small and medium enterprises in their international development and a complete service model for Large-corporate Customers. On top of this the Group has a full range of products and specialist advisory services specifically designed for the agri-food sector players.

The Cariparma CA Group operates through an organizational structure that includes: the **Retail** and **Private Banking** channels designed to provide services to individuals, households and small businesses, as well as to institutional customers, and the **Corporate Banking** channel designed to provide services to larger-sized companies. In 2017, the Crédit Agricole Italia Banking Group extended its service model adding a new commercial channel consisting in a network of over 100 **financial advisors** that operate on 9 different markets. The Financial Advisors are employees of the Group and can meet Customers (being them Individuals, Households or Businesses) at the Branches, but can also manage their schedule fully independently, in terms of place and time, meeting Customers not at the Branches; our Financial Advisors operate in synergy with the other business units, in order to generate value in various scopes, thanks to a wide and complete range of specialist services.

SUSTAINABILITY MODEL AND APPROACH

Corporate social responsibility is an integral part of the business culture and strategy of the Crédit Agricole Italia Banking Group. Indeed, the Bank interprets its social responsibility as a strategic driver of its Medium Term Plan. Corporate social responsibility is the foundation of reliability, one of the values on which the Group has built its identity. Indeed, the Bank's values, which were updated in 2016, consist in key concepts such as entrepreneurship and responsibility, focus on people and their development, teamwork, culture of trust, customers and market, innovation and integrity: these are the drivers of its way of doing banking business. The Group's Code of Ethics, the update of which started in 2017 (as more exhaustively reported below), is its identity card and outlines The commitment that the Bank has publicly undertaken towards each and every category of its stakeholders: first of all its customers, its employees, suppliers, communities and the economic system. As a leading player in the system, the Bank carefully considers the impacts it generates, being fully aware of its key role in supporting the Country's economy.

For the Crédit Agricole Italia Banking Group, Corporate Social Responsibility (CSR) also contributes to the development of business strategies, fostering the creation of value for its stakeholders through business initiatives, actions for the support to the communities and for the prevention and management of reputational risks. A strong point of the Group, shared by all its entities, is proximity to economic players and direct relationship with customers. This approach is a competitive lever to better perform its role as driver of local (sustainable) development: not just an intermediary but a player able to reinvest in the economic fabric in order to create the conditions for growth.

The relationship with its stakeholders is at the core of Bank's identity and way of doing business. The Group has given itself the objective of creating economic and social value, also by implementing a strategy to provide its communities with support, focusing on maintaining and enhancing fruitful relations with all its stakeholders.

Worth mentioning is one of the Bank's main social responsibility actions, namely FReD, the framework initiative of the Crédit Agricole Group consisting in a meta-project aimed at providing all Crédit Agricole entities with a common reference framework to design their social responsibility policies and to measure actual progress made.

FReD has three objectives:
- Providing all Crédit Agricole entities with a common reference framework to set and design the Group's social responsibility policies;
- Monitoring the developments in the Group's social responsibility and measuring actual progress made;
- Fostering exchange of views between the various entities of the Group.

In accordance with this framework, at least four projects shall be carried out every year in each one sustainability area (since 2016, three of these areas have been common to all the entities of the Crédit Agricole Group), namely:
- Trust: this area includes projects aimed at protecting the interests of customers, at developing products that can be accessed and afforded by all people, ensuring the ethics is a driving force in business operations and commercial relations;
- Respect: this area include projects dedicated to the respect for people, employees and staff members of the Group, fostering communication, exchange of views, participation, professional development and work quality, ensuring equality while promoting diversity. This scope includes projects aimed at promoting economic, social and cultural growth of the communities the Group operates in and at involving its stakeholders in CSR actions;
- Demetra: it includes projects for the protection and preservation of the environment, the areas and the communities in which the Group operates, with a range of green products in its lending and insurance business, supporting green innovation in local manufacturing and monitoring energy consumption.

Since 2011, the achievement of the improvement objectives set in the FReD index – a score monitoring progress in projects, which is useful to assess the performance of the initiatives underway and is reviewed by the an independent audit firm appointed by Crédit Agricole – has been an integral part of the incentive system of the Group's Management.

Corporate Social Responsibility matters are submitted to the Top Management at the meetings of the Group Steering Committee, which consists of the executives reporting directly to the General Management and is the corporate body involved in the main business strategies and corporate projects, for its specific in-depth examination of the CSR approaches and development, as well as for periodic reporting on the progress of FReD projects.

The Group's social responsibility is managed by the Internal Communication and CSR Unit that is part of the Communication and External Relations Division. It governs a model of "extended governance of the organization" that creates value for each stakeholder and is based on the assumption and belief that sustainable growth and development can be reached also upon condition that risks are constantly assessed, along with their possible impacts on the Bank's equity, financial position and profitability. This is why the Unit is also responsible for preventing and managing any reputational risks and for implementing measures that actually ensure value creation. Moreover, it coordinates the process for managing and reporting the Group's non-financial performances. The results of the activities performed by the CAIBG in 2017 are given below in terms of added valued generated and distributed:

Added value (201-1)	**2017**	**2016**	**2015**
10. Interest income and similar revenues	1,016,183	1,070,801	1,245,127
20. Interest expenses and similar charges	-149,960	-195,823	-303,843
40. Fee and commission income	781,817	710,132	700,374
50. Fee and commission expense (net of expenses for external networks)	-47,756	-29,595	-28,254
70. Dividends and similar revenues	8,839	8,742	7,570
80. Net profit (losses) on trading activities	18,510	16,307	10,420
90. Net profit (losses) on hedging activities	-12,592	-7,118	-14,456
100. Profit (losses) on disposal or repurchase of:	26,316	30,051	34,766
a) loans	-15,260	-16,519	-14,031
b) financial assets available for sale	43,128	48,851	51,011
c) investments held to maturity	0	0	0
d) financial liabilities	-1,552	-2,281	-2,214
110. Net profit (loss) on financial assets and liabilities designated at fair value	-30	0	-421
130. Net losses/recoveries on impairment of:	-237,536	-221,058	-313,730
a) loans	-212,736	-221,133	-311,748
b) financial assets available for sale	-23,344	-655	-878
c) investments held to maturity	0	0	0
d) other financial activities	-1,456	730	-1,104
220. Other operating expenses/income	770,410	286,977	286,873
240. Profits (losses) on equity investments (as regards the portion of profit (losses) on disposals)	8,048	9,766	9,617
270. Profit (losses) on disposals of investments	349	-244	136
310. Profit (losses) from discontinued operations, net of taxes	0	0	0
A. TOTAL ECONOMIC VALUE GENERATED	**2,182,598**	**1,678,938**	**1,634,179**
180. b) Other administrative expenses (net of indirect taxes and charity/donations)	500,911	495,714	489,002
ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS	**500,911**	**495,714**	**489,002**
180. a) personnel expenses (including expenses for external networks)	610,772	636,926	585,610
ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES AND OTHER STAFF	**610,772**	**636,926**	**585,610**
330. Net profit (loss) for the year attributable to minority interests	11,640	10,844	10,248
ECONOMIC VALUE DISTRIBUTED TO MINORITY INTERESTS	**11,640**	**10,844**	**10,248**
Net profit distributed to shareholders	110,965	116,785	158,168
ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS	**110,965**	**116,785**	**158,168**
180. b) other administrative expenses: indirect taxes and other levies	101,773	103,801	107,295
290. Income taxes for the year (current taxes, changes in taxes, decrease in taxes)	52,209	71,878	106,164
ECONOMIC VALUE DISTRIBUTED TO CENTRAL AND PERIPHERAL ADMINITRATION	**153,982**	**175,679**	**213,459**
180. b) other administrative expenses: charity and donations			
Profit allocated to the charity fund	2,200	2,200	2,150
ECONOMIC VALUE DISTRIBUTED TO THE COMMUNITY AND THE ENVIRONMENT	**2,200**	**2,200**	**2,150**
B. TOTAL ECONOMIC VALUE DISTRIBUTED	**1,390,470**	**1,438,148**	**1,458,638**
190. Net provisions for risks and charges	58,219	17,277	12,716
200. Impairments/recoveries on property, plant and equipment	32,163	29,938	29,564
210. Impairments/recoveries on intangible assets	71,877	67,029	61,636
240. Profit (losses) on equity investments (writedowns/writebacks, value adjustments/recoveries, other expenses/income)	0	0	-1,173
250. Profit (losses) from property, plant and equipment and intangible assets designated at fair value	0	0	0
260. Impairment on goodwill	0	0	0
290. Income taxes for the year (change, deferred tax assets and liabilities)	52,794	37,407	12,481
Profit allocated to reserves	577,075	89,139	60,318
C. TOTAL ECONOMIC VALUE RETAINED	**792,128**	**240,790**	**175,541**

Sustainability in the supply chain

In 2017, all suppliers involved in the procurement of goods, services and contracted works operates for a value of Euro 716 million, 95% of which was procured in Italy. In the reporting year, a campaign was carried out to enhance the awareness of the Group's suppliers having large sizes and revenue and operating in specific product types to foster their registration with Ecovadis, a platform for the assessment of their sustainability. A mediator role has been set up to settle any complaints amicably and a specific clause has been prepared to be included in the contracts. Moreover, the project was completed for the single Purchasing Center jointly managed by CA Group Solutions and Agos, which had started in 2016 and will ensure optimization of the processes for managing suppliers.

Supply value and localization		**2017**	**2016**	**2015**
Total value of suppliers (204-1)	**€/000**	**716,259,154**	**621,770,641**	**532,405,760**
- of which foreign suppliers	€/000	35,892,463	31,957,956	37,093,190
	%	5.01%	5.14%	6.97%
- of which Italian suppliers	€/000	680,366,691	589,812,685	495,312,570
	%	95%	95%	93%
Lazio	€/000	66,484,761	60,658,433	69,969,268
Emilia-Romagna	€/000	366,468,797	338,872,703	196,006,143
Lombardy	€/000	150,547,834	110,368,621	118,586,540
Friuli-Venezia Giulia	€/000	19,215,966	14,611,121	21,741,944
Veneto	€/000	11,966,353	9,477,095	13,411,150
Tuscany	€/000	12,829,045	13,206,693	14,525,000
Liguria	€/000	23,476,957	22,108,779	29,673,126
Campania	€/000	7,865,119	6,703,050	8,198,347
Piedmont	€/000	11,234,228	8,762,037	11,235,324
Puglia	€/000	1,437,384	1,290,498	1,305,587
Marche	€/000	1,298,689	44,620	2,237,239
Abruzzo	€/000	4,887,605	1,662,727	6,426,304
Trentino-Alto Adige/Südtirol	€/000	638,324	668,909	713,560
Umbria	€/000	1,419,339	1,098,935	1,006,936
Other Regions	€/000	596,290	278,464	276,103
Selection and qualification of suppliers				
Suppliers on the register with at least a certified HSEQ system	Number	433	337	452
- of which ISO 9001-certified	Number	427	335	323
- of which ISO 14001-certified	Number	143	94	67
- of which compliant with SA 8000	Number	37	22	18
- of which OHSAS 18001-certified	Number	91	61	44

All the suppliers on the Group's register are required to sign also an antimafia self-certification and a specific statement pursuant to Italian Legislative Decree No. 231/01. The annual review includes verifying that no supplier is on the international sanction lists and no supplier is based in Countries under embargo or under surveillance, that no supplier in on the list of Related Parties and that the revenue generated by the business with the CAIBG is not higher than 30% of total revenue. Finally, specific controls are performed on contracts in force.

Corporate and business management model

GOVERNANCE AND ORGANIZATIONAL STRUCTURE

The corporate governance system of the entities of the CAIBG is based on the "traditional" organizational model and has been designed to be fully compliant wit all applicable legislation in force in the industry. It ensures transparency of roles, offices and functions. This choice seems the best one to ensure:

- The design and implementation of corporate strategies and policies for the management and control of the typical risks associated with the banking business;
- More efficient management;
- Effectiveness of controls.

Indeed, the traditional management and control model allows single leadership and direction, with a single central body in charge of strategic oversight and management. Strategic oversight and management, consisting in the direction of corporate operations in order to achieve the aforementioned strategies, have been to Bodies and Roles vested with the relevant responsibilities and powers. In the traditional model, the control function is assigned to the Board of Auditors that is responsible for supervising proper operations of the internal controls system as a whole, assessing the effectiveness and adequate coordination of all the structures and function holders involved and promoting corrective actions in case of any inadequacy or irregularity is detected, in order to ensure effective control of each and every risk.

The Board of Directors plays the role of strategic overseer within the risk management and control system, which provides for the adoption of organizational models and operational and control mechanisms that are adequate and fully compliant with the applicable legislation and with the set corporate strategies. The BoD of each subsidiary shall implement the risk policies aimed at risk management and mitigation, which are approved by the BoD of the Parent Company. It identified responsibilities and assigns specific duties and powers for every corporate structure and function, in order to prevent any possible conflicts of interest. The Bank's operations are directed by a central structure that is organized based on the separation of direct reporting lines between structures and roles engaged in business functions and structures and roles engaged in control, as well as on centralized governance of operational functions.

In 2017, the new **Ethics Charter** of the Crédit Agricole Group was revised in order to better communicate and convey the Group's commitments and values. It provides for twelve "Principles of Action" that shall be complied with in daily activities and that are structured on the four macro-pillars given below:

- "Customers", meaning respect for Customers in order to provided them with loyal advice, showing solidarity, being useful and close consistently with the "Universal Customer-focused Bank", protecting the Customers' personal data using such data in a transparent way;
- "Society", meaning respect for human rights and for fundamental social rights and the implementation of a Corporate Social Responsibility strategy;
- "Employees",meaning responsible management of human resources;
- "Ethical behaviours",ensuring high professional standards and skills, responsibility, information confidentiality, prevention of any conflicts of interest and full compliance with all applicable legislation and regulations.

COMPLIANCE, INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Compliance Department governs and manages non-compliance risk and ensures the integrity of anti-corruption processes and procedures, abiding by the national legislation and by the guidelines issued by the Parent Company Crédit Agricole on this matter. It is responsible for the prevention of the offences pursuant to Italian Legislative Decree No. 231/01, of money-laundering, market abuse and of any conflicts of interest, as well as for ensuring compliance with the legislation and regulations applicable to the banking and intermediation business. It ensures Customer centrality and protects the Companies of the Group, their employees and top officers against risks of penalties, financial losses and reputational damage, also providing advisory services and assistance. Its activity covers all areas for which non other specialist controls are in place as regards regulatory compliance. Where no other compliance-specific controls are in place, the Compliance Department defines, in cooperation with the relevant structures, at least the methods for risk assessment and identifies the related procedures to verify the effectiveness of non-compliance prevention.

In 2017, the CAIBG set up the Risk and Internal Control Committee, resulting from the combination of the former Internal Control Committee, Risk Management Committee and Compliance Committee. This new body is responsible for:

- Governing the structures engaged in control functions (Internal Audit, Compliance, Risk Management and Permanent Controls) and the internal control systems, in accordance with the instructions given by the Parent Company;
- Examining and approving the risk guidelines, expressing opinions on the Risk Policies to be submitted to the Board of Directors for approval and deciding on the proposals made by the relevant work groups regarding risk management and prevention;
- Constantly analyzing any development in the applicable legislation and proposing any changes.

The management committees, including the New Activities and New Products Committee (NAP), the Anti-money-laundering (AML) Committee, the Investment Committee, the Loan Committee and the Loan Monitoring Committee, are provided with support by the control structures in accordance with their specific responsibilities. The control structures sit on and provide reporting to the Internal Control Audit Committee.

On a regular basis, the Internal Audit Department performs controls on processes and organizational units of all the Companies of the CAIBG, as well as on Outsourced Important Operational Functions. It provides the Top Management, the Corporate Bodies and the Parent Company with information and reporting on the activities carried out. It ensures prevention of any irregular and risky situation and conducts through constant control on proper operations. It assesses the adequacy of the internal controls system in ensuring the effectiveness and efficiency of the corporate processes as implemented, the value of assets, protection from losses, the quality of accounting and management information and compliance of operations with both the policies set down by the corporate governance bodies and with all applicable internal and external regulations. The Internal Audit Department is independent of any executive and decision-making structure or role entailing risk-taking.

The approach to risk management

The Parent Company is responsible for the management and control of the risks the CAIBG is exposed to and, through operational action plans, ensures full protection from any risk. The Risk Management and Permanent Controls Department is responsible for the control and governance of risks, excluding Compliance risks, for all the Companies of the CAIBG.

Risk management and control are based on the following principles:

- Clear identification of risk-taking responsibilities;
- Measurement and control systems that are compliant with the Supervisory guidelines and consistent with the solutions more frequently adopted at an international level;
- Organizational separation between operating and control functions.

The perimeter of risks detected, monitored and integrated (taking account of diversification advantages) in the economic capital includes:

- Credit risk and counterparty risk, with the associated 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 risk levels (in terms of credit, market and operational risks) that are consistent with the CAIBG's development strategy are determined with the Risk Strategy that lays down global limits (alert thresholds), supplemented with operational limits, for every Entity of the Group. The Strategy is revised and updated on a yearly basis and submitted to the Risk Committee of Crédit Agricole S.A. for approval.

Risk Appetite Framework

The CAIBG has implemented its Risk Appetite Framework (RAF) to determine the highest acceptable level for each type of risk.

The financial policy and the risk management policy are the factors that weigh the most on the calculation of the Group's risk appetite, which 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 use of the RAF is combined with risk monitoring and control activities that promote constant updating of its measurement models and methods, in order to ensure constant control. The methods, standards and tools for risk measurement and control are implemented consistently throughout the Group and based on their adequacy to the size and severity of risks taken. The procedures and policies for risk management are shared with the corporate bodies of the Subsidiaries.

The Governance reference framework is closely related to the RAF: the business model and the strategic plan, the risk appetite, tolerance thresholds, risk limits, risk management policies and the related processes to define and implement them are determined in accordance with the maximum acceptable risk level.

To ensure even more effective use of the Framework, the CAIBG has implemented also some Policies on the RAF and on the Most Relevant Transactions (MRT or with the Italian acronym OMR) and uses the Risk Appetite Statement (RAS) that sets forth the process for risk management governance. It identifies the roles of the management and control bodies within the Group for adequate risk control and correct definition of the RAF; it also maps the main qualitative and quantitative risks, along with the relevant risk indicators/ratios and alert thresholds, which, where breached, trigger a Recovery Plan.

As at 31 December 2017, the the Group's primary ratios/indicators were found satisfactory and consistent with the Risk Appetite set by the Group. They have never breached the set tolerance levels.

The internal controls system implemented by the CAIBG is compliant with the applicable Supervisory provisions (Bank of Italy Circular 285/2013) and with the model of the Controlling Company Crédit Agricole S.A.: this entails the use of a system for monitoring constant control of risks and the adequacy of control activities to the organizational structure of the Group, as well as the reliability, accuracy and promptness of the relevant reporting.

The management of social and environmental risks

As regards social and environmental risks, the Group ensures implementation of a structured control system that has long been fully established within the company and aims at detecting, understanding, mapping, measuring and managing risks in order to ensure, thanks to their prevention, the Company's soundness in the long term.

Scope of the Decree	Material topics	Risk mapped by the CAIBG
Social	Service quality and innovation	Fraud risk Non-compliance risk Personal Data Protection risk
	Responsible lending and access to credit	Credit risks
	Support to businesses and to the agri-food sector	Credit risk
	Proximity to Customers and Communities (proximity bank)	Credit risk Reputational risk
	Involving the Communities	Counterparty Risk Reputational Risk
Fight against active and passive corruption	Integrity in governance processes and in business management	Non-compliance risk
Staff Management	Internal exchange of views, welfare and equal opportunities	Non-compliance risk
	Work relationships and development of human resources	Occupational health and safety risks
Human Rights	-	Credit risk Reputational risk
Environmental	Protection of the environment and promotion of the Green Economy	Credit risk Reputational risk

Broadly speaking, reputational risk is at the center of the overall risk management system: The Ethics Charter, the Code of Ethics, the Code of Conduct and Model 231 represent control strongholds within the corporate processes, in a social and market scenario that is increasingly sensitive to the topics of ethics in business and of corporate responsibility and accountability. The CAIBG has implemented a model for the prevention and management of possible operational risks in order to protect its reputation with its stakeholders and also in order to prevent and mitigate any negative impacts on its brand identity. Consistently with the 231 Model, every structure and role of the company is involved in the monitoring of reputational risks affecting its respective operations, having the contents of the Code of Ethics as the general reference framework.

The 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 and of the single Entities of the Group for their approval.

The Bank attaches great importance to non-financial risks; the Risk Strategy, which is agreed on every year with the Parent Company Crédit Agricole S.A., contains also Lending Policies. They govern the procedures through which the Banks and the Companies of the CAIBG intend to take and manage credit risk and are designed with the objective of fostering a balance growth in loans to the most deserving Customers and to control and manage exposures to risky Customers. Generally, these policies are not mandatory, except for specifically identified restrictions, and set down the directions to which the Distribution Network and the Bodies in charge of Lending and Loan Management shall refer when assessing loan applications and making lending decisions.

In this regard, the approach adopted by the Bank goes in two directions. On the one hand, some sectors have been identified as risky in economic and social terms (sector-related policies), in which lending is discontinued or downsized. On the other hand, other economic activity sectors have been identified as attractive and are deemed strategic for the social development and economic growth of the communities the Group operates in; these sectors are the ones where a priority and expansionary strategy is implemented. The New Activities and New Products Committee (NAP), which examines all proposals for new solutions that the Bank intends to distribute, and the Loan Committee, which analyzes and assesses applications for loans that have material sizes, take account also of environmental and social risks.

Specifically, no loan, of any type, is authorized to counterparties that are involved in the manufacturing, storage or sale of anti-personnel mines and cluster bombs and no credit facility is authorized intended for the financing of international trade of nuclear, biological or chemical weapons or other weapons of mass destruction .

Moreover, some economic sectors have been identified in which any loan shall be authorized only after careful assessment by the central decision-making bodies, with the prior favourable opinion of the Anti-Money-Laundering legislation Service. These sectors include: casinos, gambling and betting, trade of works of art, renewable energies, trade and processing of diamonds, collection and disposal of hazardous waste and Non-profit organisations.

In this regard, the Parent Company has put in place a programme aimed at controlling the risk of international sanctions, also through the EWRA (Enterprise Wide Risk Assessment), a tool that takes account of all risk indicators resulting from the activities the Group is engaged in.

The focus on correct management of lending is reflected also in the continuous upgrading of the risk analysis methods in order for the Group to have evolved and innovative applications for more and more effective analysis of Customers, higher and higher efficiency of processes and enhanced monitoring systems.

Material topics relevant to business operations

In 2017 the CAIBG materiality analysis was updated; it aims at identifying, on a yearly basis, the topics that, in accordance with the Bank's business operations, could be significant for its stakeholders and for the Group itself. The materiality analysis has also identifies the topics "*[…that are relevant considering the company's business and features]*", as required by Italian Legislative Decree No. 254/16, interpreted for reporting purposes in accordance with the scope of application of the legislation.

Specifically, the 2017 update takes account of the risks and opportunities associated with the business, an aspect that has been better integrated in the method outlined below.

Materiality process perimeter has included also the three banks that were acquired at the end of 2017 with the Fellini Combination. The analysis of the specific business operations and features of the three banks has contributed to confirm the relevance of the material topics identified for the CAIBG. However, as mentioned before, the very short time between their acquisition and the reporting date, as well as the negligibility of the non-financial impacts generated by the three banks have resulted in their exclusion from the scope of this statement, since they were deemed irrelevant for the understanding of the CAIBG business operations(5),

The material topics for the Group have been updated with a structured process, also based on the outcomes of the similar one carried out in 2016, and taking account of inputs found both inside and outside the Group perimeter, such as:

- The analysis of the main trends in the industry, with benchmarking to the CAIBG's leading peers;
- Documents and scenario insight, such as the Italian Benessere Equo Sostenibile report and the 17 goals and related 169 targets of the United Nations 2030 Sustainable Development Agenda;
- Verification of the main topics for which the public opinion puts "pressure" on the CAIBG, including the recent acquisitions, with press reviews on the web;
- Identification of the material topics included in the objectives set by the Ambizione Italia 2020 Business Plan associated with the key messages sent out by the CEO in the year;
- Commitments undertaken and formalized in the Code of Ethics;
- The climate analysis, used as a proxy for the identification of employees' priorities.

The material topics(6) found within the updating have been reorganized and clustered in order to have a more effective representation and are given below. Therefore, in the following chapters, these topics are associated with each scope of application of the Decree.

- Integrity in governance processes and in business management;
- Service quality and innovation;
- Responsible lending and access to credit;
- Support to businesses and to the agri-food sector;
- Proximity to Customers and Communities (proximity bank);
- Involving the Communities;
- Internal exchange of views, welfare and equal opportunities;
- Work relationships and development of human resources;
- Protection of the environment and promotion of the Green Economy.

(5) For more information, please see Assonime Circular No 7 – 2018, page 8.

(6) As done in the previous years, the materiality analysis has identified "Profitability performance and capital strength" as one of the key topics. This theme is exhaustively dealt with, also in accordance with Italian Legislative Decree No. 254/2016, in the Annual Report and Financial Statements, of which this NFS is an integral part.

Social aspects

RELEVANCE FOR THE CAIBG BUSINESS OPERATIONS

Being a *customer-focused proximity bank*, deeply rooted and operating in certain areas entails a big responsibility to the communities the Group operates in. Such responsibility concerns all Customers, individuals and businesses, as well as the economic system as a whole that identifies banks as drivers of development, and not in economic terms only, but also in social ones. The materiality analysis has identified the topics listed below as the social aspects associated with the Group's business operations:

- Service quality and innovation;
- Responsible lending and access to credit;
- Support to businesses and to the agri-food sector;
- Proximity to Customers and Communities (proximity bank);
- Involving the Communities;

POLICIES ON THIS TOPIC

The priority that the CAIBG has set is the strengthening of trust with its Customers: dedicated specialists and advisors design products and services based on the Customers' requirements, providing bespoken solutions and ensuring continuous presence, being always ready to find specific solutions that are the most suitable to real situations.

The Lending Policies of the Crédit Agricole Italia Banking Group, while remaining consistent with the directions followed in the last few years, are the result of constant updating, which allows the Bank to remain one of the best players in the Italian market. On the one hand, the Group identifies and adopts all due cautions in the sectors featuring obvious economic and social risks, while, on the other, implements an expansionary policy in the sectors where the economic activity, which is key for the development of the communities it operates in, is attractive. In order to ensure compliance with the social and environmental requirements laid down in commercial contracts, the utmost care is constantly place in the customer monitoring processes, especially with regard to loan authorization, both during prior analysis of the dossiers and upon finalization.

Even though lending policies are set for the Banking Group as a whole, they can be specifically adapted, in order better suited to the specific features of the communities in which the various banks of the Group operate, thus fulfilling their proximity bank vocation. Lending policies are set and updated on a yearly basis by the Credit Governance Central Department, in agreement with the General Management and in cooperation with the Risk Management and Permanent Controls Department, the Commercial Departments and the Compliance Central Department. The Loan Department is responsible for loan monitoring and reports on a regular basis to the Board of Directors and/or to the Executive Committee. On the other hand, the Commercial Departments are responsible for segmenting their respective Customers in accordance with the Lending Policy grades and for implementing the respective Strategies. The Lending Policies provide for five grades, each one of which has its own objective: growth, controlled growth, stabilization, downsizing and restructuring and discontinuation. The development of new products, aimed at service innovation and improvement, and the significant transformation of the existing ones follow the authorization process outlined in the **Policy on the approval of New Activities and New Products**. The Policy provides for a step for assessing the product point of novelty, identified based on the target customers, the arising of any "new risk profiles" and the triggering of new distribution channels or procedures. Specific **Policies** are in force for certain economic activity sectors concerning very specific operation scopes and aimed at full regulatory compliance. Specific **economic activity sectors** are identified through market surveys and based on their attractiveness and sectoral development view. The Group has sector-specific Lending Policies in force covering **renewable energy, international business and export, mortgage loans, the Public Administration, businesses as regards OTC derivative financial instruments and controversial sectors.**

Crédit Agricole's closeness to the agri-food sector requires the Bank to have a structured approach in setting the procedures for and in providing services to this sector, which shall result in effective support to businesses for their business and development. In this direction, the **Lending Policies for the Agri-food Sector** set the guidelines on bankable operations, in accordance with the regulation of the "Agriculture Project", which contains the features of the main types of loans in terms of both intended use and duration, as well as bankability of single investments.

The CAIBG features strong focus on providing support to business internationalization. Indeed, it has a specific **Lending Policy dedicated to exports/international business** in force, which aims at supporting businesses with strong and well-established export operations and with a material part of their revenues generated abroad, being better able to compete on the market.

The Lending Policies also identify "**sectors under surveillance**", the social impacts on which are carefully assessed and managed.

In 2017, within an even more social scope, to the benefit of the communities the Group operates in, the guidelines for the "***Organization and Management of Sponsorship Initiatives***" were updated; these guidelines set forth the decision-making procedure and the main operating activities regarding the identification and organization of the Bank's sponsorship projects. This scope includes cultural, sports or entertainment events and the objective is to obtain visibility, prestige and renown.

ACTIVITIES AND OPERATING PERFORMANCE

In the last months of 2017, the CAIBG started its regular process to revise its Lending Policies, in order to upgrade its loan-authorization directions to the new sector risk perimeters, as recently updated, and to foster lending development in a more favourable economic scenario. The CAIBG revised its lending policies also in order to implement the guidelines expressed by the Italian Observatory on Corporate Social Responsibility and by the Equator Principles, making them part of the bankability assessment criteria, along with analyses and control measures on environmental and social risks in financing projects regarding large infrastructure and manufacturing plants.

Service quality and innovation

The CAIBG constructs digital innovation and multichannel access to its services as a component of doing banking business with a social focus, as the main driver of its relationship with Customers. In this perspective, in 2017 various solutions were implemented allowing the Bank to be "remotely present", especially thanks to the full operation of its online channel. Consistently with its Business Plan and strategic directions in terms of technological innovation, business, investment lines, risk management and regulatory obligations, the Group has designed and implemented important cross-sector innovative projects.

Among the CAIBG's digital products and services that are fit to pursue this objective, the main ones are:

- Concurrent and responsive "*Conto Adesso*": an initiative in cooperation with the Gaslini Foundation to adapt Conto Adesso sale process by developing a mobile responsive form which optimizes navigation using portable devices;
- BankMeApp: the innovative app providing teenagers with the possibility to manage cash digitally, while giving parents a support and control tool for their children's financial education. BankMeApp Scuole, thanks to the partnership between the Bank and 5 schools in its communities, supports families in handling children's tuition needs and proposes several financial education and innovative learning initiatives. This app, which was awarded several institutional prizes, has been designed to create value for the communities and to upgrade the relationship between the bank and people as a cooperation going beyond banking services only;
- "*Pilota Gestore multicanale*" (Multichannel Manager Pilot): a new service model with the Account Manager and the Customer interacting through chats and videochats, with the Account Manager using the new Nowdesk platform and the Customer the new Nowbanking. The Multichannel Account Manager project is intended for the provision of financial advisory services and for selling products and services remotely signing digitally;

- Virtual Branch: a new service model to manage “*Conto Adesso*” Customers living in places where there are no branches, which is based on advanced advisory services;

In the reporting year, Cyber Security governance and processes were strengthened. Specifically, innovation concerned some topics of the CARS (Crédit Agricole Security Strengthening) project in the following scopes:

- Communication and training;
- Control of strategic systems;
- Stronger defence of production environments;
- Incident detection;
- Protection of sensitive data.

The process for continuous improvement in security levels concerned also electronic payments, with the new IT solutions of Internet banking and Mobile Banking platforms, on which important functions have been implemented for the digitalization of banking transactions.

To further improve customer experience, the commercial processes have been upgraded, both those at branches (NEC – New Provision of Advisory Services) and remote ones (WEB Collaboration).

The CAIBG manages complaints centrally and designs its processes in order to mitigate risks. Customers can file complaints sending them by post, e-mail or by handing them in at branches that then forward them to the Complaints Service. After receiving a complaint, the Service puts it on record in a dedicated database in order to ensure that it is properly managed and monitored; at the same time, an appropriate letter is sent to the Customer informing him/her that the complaints is being processed and of the related time for reply. The Complaints Service processes all received complaints in cooperation with the various corporate structures concerned, in order to give an exhaustive reply to the Customer, including, if the complaint is found well grounded, the related actions undertaken. Complaints shall be processed and replied to within: 30 days of receipt for complaints regarding banking transactions and services; 60 days of receipt for complaints concerning investment activities and/or ancillary services thereto; 45 days of receipt, for the aspects regarding the Bank, for complaints on insurance products distributed by the Bank. If they receive no reply or if the reply is not exhaustive, Customers may file a petition with the Banking and Financial Ombudsman (Italian acronym: ABF) or with the Financial Ombudsman Service (ACF) in case of disputes regarding investment services.

In 2017, there were no penalties worth mentioning for any instance of non-compliance with laws or regulations.

Complaints (417-2)		**2017**	**2016**	**2015**
By type				
Credit/debit cards	Number	174	130	129
	%	8%	6%	7%
Securities	Number	150	177	117
	%	7%	8%	6%
Loans	Number	156	162	147
	%	8%	7%	8%
Mortgage loans	Number	295	364	315
	%	14%	16%	17%
Current accounts/Deposits	Number	774	812	605
	%	37%	36%	32%
Insured products	Number	114	92	93
	%	5%	4%	5%
Salaries/Pensions	Number	-	-	2
	%	-	-	-
Privacy (418-1)	**Number**	-	-	**n,d,**
	%	-	-	**n,d,**
- of which filed by third parties		0	0	0
- of which regulators		0	0	0
Other	Number	417	513	466
	%	20%	23%	25%
Total complaints	Number	2,080	2,250	1,874
By reason				
Processing of transactions	Number	1,088	995	682
	%	52%	44%	36%
Communications and information to Customers	Number	106	160	177
	%	5%	7%	9%
Terms and conditions applied	Number	225	326	187
	%	11%	14%	10%
Frauds and misplacement	Number	156	147	139
	%	8%	7%	7%
Other	Number	505	622	689
	%	24%	28%	37%
Total	Number	2,080	2,250	1,874
Banking and Financial Ombudsman (Italian acronym ABF)				
Number of claims filed	Number	99	107	133
Incidents of non-compliance concerning product and service information and labelling (417-2)	Number	-	-	-

Litigation with Customers (419-1)		**2017**	**2016**	**2015**
Litigation with Customers	Number	1,208	1,343	1,295
Monetary value of litigation with Customers	€	127,214,187	117,294,947	127,774,670
Bankruptcy litigation	Number	43	42	55
Monetary value of bankruptcy litigation	€	28,559,084	30,859,527	186,263,700

Customer Satisfaction

Relaunching relationships with Customers requires an important programme to enhance the ability to listen to Customers: to monitor the quality of the services it provides, the Bank implements a program based on surveys involving a sample of Customers belonging to the Retail Banking, Corporate Banking and Private Banking segments. The surveys give the Customer Satisfaction Index (CSI) expressed as the measure of Customers' propensity to recommend the Bank to others. Surveys were carried out by a specialist company, Doxa, between April and December with phone interviews in the Private Banking and Corporate Banking channels (with 600 and 579 interviews, respectively), and interviews on the web for the Retail Banking channel (52,418 interviews). The questionnaire used were different according to the channel and structured on a like scale from 0 to 10, where 0 meant "not likely at all" and 10 "very likely"; the scores were then calculated on a 0 -100scale[7]. The Group has used the Customer satisfaction scores obtained to design programmes for the improvement of processes, products, services and , in general, its relationship with Customers.

Development of a new system to listen to Customers, a programme of activities to obtain the opinion of all the Group's Customers in a multi-channel mode

New relationship models, to ensure that Customers can always interact with the Bank in a bespoken and personal way, and choose, at any time, their preferred interaction mode

Streamlining processes, in order to ensure high service level at branches and easier and easier access to Customers

Customer Satisfaction Index (AVERAGE CSI)[1] – (102-43)		2017	2016
Retail Banking Customers	0-100 scale	74.8	76.5
Private Banking Customers	0-100 scale	78.9	77.2
Corporate Banking Customers	0-100 scale	74.2	72.6

(1) The Customer Satisfaction Index is reported as the average of the results obtained, in order to better represent the value of this indicator and to harmonize reporting at a Group level

Responsible lending and access to credit

In order to ensure access to credit by households and reduce the time for application processing and authorization of home loans, the Credit Department, in agreement with the other structures concerned, participated in the "Mutuo Agile" (Swift Home Loan) project, thanks to which new operational tools and process twicks could be implemented in a short time, to streamline and rationalize the home loan processing, both in the phase of interaction with Customers and in the loan application assessent and post-authorization ones.

In order to stand out as a leading player for home loans, in the reporting year the Group developed fixed-rate and floating-rate solutions within its Crédit Agricole Home Loans range Combined with options for benefits

(7) The survey perimeter included the only the Banks of the Group, namely Crédit Agricole CariSpezia and Crédit Agricole FriulAdria.

at the Customer's choice. This product is supported also by Mutuo Adesso, a state-of-the-art portal with advanced functions, which can provide the Customers with all educational information on the product.

In 2017, the CAIBG reasserted its role of Customer-focused Bank, always also in social awareness terms, with the new range of products intended for Non-Profit Associations. Indeed, it started selling two current accounts, "*Conto Associazioni No Profit*" and "*Conto Associazioni*", both featuring a full range of services and very good conditions. The "No Profit" account provides for exemption from the revenue stamp tax, no annual fee to be paid by Customers and the possibility to receive credit transfers in cash with no expenses. The new products are good drivers of acquisition and cross-selling, as well as of increase in loans, thanks to the new credit facility "*Anticipo 5 per mille*" (referring to the five per thousand portion of Italian personal income tax that taxpayers may give to organizations engaged in community work, which is advanced by the Bank). The Bank is providing support also to medical research, with *Carta Conto Fondazione Veronesi*, with 9 new applications in 2017. This Card is a way to support the research projects of Fondazione Veronesi, providing funds to young researchers that work throughout Italy in oncology, cardiology and neurosciences.

The "responsible bank" concept is shares and applied also by the Wealth Management segment that, in the year, featured significant innovation in its range of products and services: as regards "Fondi a Finestra" (funds with a pre-set subscription window), the innovation value generated by the "Eurizon Disciplina Sostenibile" Fund is worth specific mention, since the Fund invests in companies that meet set requirements in terms of respect for the environment, work standards and corporate governance practices. With a very strong focus on customer centrality, the Private Banking segment performed very well; for this segment, surveys were carried out targeting specific customer clusters. Again as regards the Private Banking channel, behavioural and commercial training was provided, along with technical one, order to support the Group's Private Bankers in the cultural change underway in this channel, as required by the continuous evolution in the competition scenario.

Customers by channel[1] (G4 – FS6)		2017	2016	2015
Corporate	Loans (mln €)	2,662.6	2,817.8	2,222.8
	Funding (mln €)	4,830.4	3,271.8	3,414.2
	Funding (mln €)	856.5	11,391.8	10,436.4
SMEs:	Loans (mln €)	12,878.2	13,670.6	13,760.0
	Funding (mln €)	7,555.9	7,829.6	6,563.1
	Indirect funding (mln €)	1,405.1	1,551.3	1,458.4
Individuals	Loans (mln €)	17,290.6	15,922.8	15,152.4
	Funding (mln €)	23,106.1	23,553.1	26,531.9
	Indirect funding (mln €)	35,436.0	33,387.0	44,248.6
Big Dossier[2]	Loans (mln €)	5,132.8	4,477.3	-
	Funding (mln €)	1,930.0	1,411.3	-
	Indirect funding (mln €)	20,436.2	18,580.6	-

(1) The volume figures regarding direct and indirect funding are not consistent with the same figures in the Financial Statements for the year of the Crédit Agricole Italia Banking Group because of the different classification methods used by the Group for management and accounting purposes respectively

(2) Segmentation that was reclassified in 2016. The Big Dossier channel represents the volumes of counterparties that cannot be included in ordinary customers; specifically it reports counterparties such as come Agos, Crédit Agricole Leasing Italia, Amundi, Cavita, Leasys

Portfolio of public administration entities (G4 – FS6)		2017	2016	2015
Municipalities	Number	193	193	181
Regions and Provinces	Number	3	4	3
NHS agencies	Number	4	4	6
Schools	Number	435	428	352
Universities	Number	1	0	0
Consortia	Number	46	41	45
Association of mountain communities	Number	7	7	10
A.S.P. / IPAB	Number	44	47	50
Various bodies and authorities	Number	120	94	118
Total	Number	853	818	765

Corporate Customers (PMI + Corporate channel) (G4 – FS6) By segment		2017	2016	2015
Large Corporate	Number	1,364	1,203	Na
	Loans (mln €)	2,663	2,818	Na
	Funding (mln €)	4,830	3,272	Na
	Indirect funding (mln €)	856	11,392	Na
SMEs and Mid Corporate	Number	11,016	11,532	Na
	Loans (mln €)	7,078	7,282	Na
	Funding (mln €)	2,325	2,944	Na
	Indirect funding (mln €)	485	495	Na
Small Business	Number	180,503	239,471	Na
	Loans (mln €)	5,801	6,388	Na
	Funding (mln €)	5,231	4,885	Na
	Indirect funding (mln €)	920	1,056	Na
Total	Number	192,883	252,206	Na
	Loans (mln €)	15,541	16,488	Na
	Funding (mln €)	12,386	11,101	Na
	Indirect funding (mln €)	2,262	12,943	Na

Customers in the Individuals sub-segment by geographical area[1] (G4 – FS6)		2017	2016	2015
Emilia-Romagna	Number of customers	374,942	383,338	Na
	Loans (€)	2,692	2,598	Na
	Funding (€)F	5,807	6,506	Na
	Indirect funding (€)	9,938	9,012	Na
Lombardy	Number of customers	335,886	353,783	Na
	Loans (€)	4,595	4,304	Na
	Funding (€)F	5,544	5,436	Na
	Indirect funding (€)	8,872	8,561	Na
Veneto	Number of customers	139,097	134,294	Na
	Loans (€)	1,893	1,688	Na
	Funding (€)	1,870	1,747	Na
	Indirect funding (€)	2,779	2,464	Na
Campania	Number of customers	137,022	142,087	Na
	Loans (€)	1,275	1,217	Na
	Funding (€)	1,999	2,015	Na
	Indirect funding (€)	2,012	2,006	Na
Friuli-Venezia Giulia	Number of customers	156,934	154,759	Na
	Loans (€)	1,119	1,010	Na
	Funding (€)F	2,105	2,097	Na
	Indirect funding (€)	3,525	3,393	Na
Lazio	Number of customers	63,839	66,002	Na
	Loans (€)	1,203	1,113	Na
	Funding (€)F	1,077	1,018	Na
	Indirect funding (€)	1,236	1,249	Na
Liguria	Number of customers	135,397	127,678	Na
	Loans (€)	1,190	1,060	Na
	Funding (€)F	1,829	1,808	Na
	Indirect funding (€)	2,663	2,435	Na
Piedmont	Number of customers	116,967	123,741	Na
	Loans (€)	1,892	1,630	Na
	Funding (€)F	1,603	1,683	Na
	Indirect funding (€)	2,825	26,271	Na

Customers in the Individuals sub-segment by geographical area(1) (G4 – FS6)		**2017**	**2016**	**2015**
Tuscany	Number of customers	90,626	89,940	Na
	Loans (€)	1,357	1,234	Na
	Funding (€)F	1,205	1,171	Na
	Indirect funding (€)	1,479	1,437	Na
Umbria	Number of customers	6,348	6,412	Na
	Loans (€)	75	69	Na
	Funding (€)F	69	70	Na
	Indirect funding (€)	107	106	Na
Total	Number of customers	1,557,058	1,582,034	Na
	Loans (€)	17,291	15,923	Na
	Funding (€)F	23,106	23,553	Na
	Indirect funding (€)	35,436	33,387	Na
Customers in the Individuals sub-segment by geographical area[1] (G4 – FS6)				
Emilia-Romagna	Number of customers	47,887	58,211	Na
	Loans (€)	4,206	4,312	Na
	Funding (€)F	2,164	2,098	Na
	Indirect funding (€)	1,122	1,117	Na
Lombardy	Number of customers	40,274	50,349	Na
	Loans (€)	3,619	4,196	Na
	Funding (€)F	3,210	2,382	Na
	Indirect funding (€)	292	10,825	Na
Veneto	Number of customers	17,911	23,427	Na
	Loans (€)	2,193	2,202	Na
	Funding (€)F	1,468	1,012	Na
	Indirect funding (€)	189	189	Na
Campania	Number of customers	19,708	25,632	Na
	Loans (€)	572	556	Na
	Funding (€)F	918	855	Na
	Indirect funding (€)	35	49	Na
Friuli-Venezia Giulia	Number of customers	17,531	25,628	Na
	Loans (€)	1,485	1,645	Na
	Funding (€)F	1,308	1,429	Na
	Indirect funding (€)	268	277	Na
Lazio	Number of customers	8,641	10,883	Na
	Loans (€)	872	810	Na
	Funding (€)F	1,090	1,096	Na
	Indirect funding (€)	35	59	Na
Liguria	Number of customers	11,266	21,092	Na
	Loans (€)	821	963	Na
	Funding (€)F	649	691	Na
	Indirect funding (€)	107	116	Na
Piedmont	Number of customers	14,156	19,043	Na
	Loans (€)	737	789	Na
	Funding (€)F	995	1,141	Na
	Indirect funding (€)	77	108	Na
Tuscany	Number of customers	14,179	16,546	Na
	Loans (€)	947	934	Na
	Funding (€)F	531	365	Na
	Indirect funding (€)	130	196	Na

Customers in the Individuals sub-segment by geographical area[(1)] (G4 – FS6)		**2017**	**2016**	**2015**
Umbria	Number of customers	1,330	1,395	Na
	Loans (€)	88	82	Na
	Funding (€)F	53	32	Na
	Indirect funding (€)	7	7	Na
Total	Number of customers	192,883	252,206	Na
	Loans (€)	15,541	16,488	Na
	Funding (€)F	12,386	11,101	Na
	Indirect funding (€)	2,262	12,943	Na

(1) The breakdown is based on the location of the relevant branch

Individuals customer sub-segment (Households, Affluent, Private banking) (G4 – FS6)		**2017**
By age range		
0-20 years	Number	72,896
21-30 years	Number	130,640
31-40 years	Number	215,861
41-55 years	Number	451,748
56-65 years	Number	238,782
> 65 years	Number	387,506
Customers in the Individuals segment who are not natural persons	Number	26,542
Total	Number	1,523,975

Operating leases (G4 – FS6)		**2017**	**2016**	**2015**
Portfolio	€ thousand	593,755	545,365	507,055
Amount financed	€ thousand	312,482	272,881	222,069
Motor vehicle leases (G4 – FS6)				
Portfolio	€ thousand	149,820	131,703	108,398
Amount financed	€ thousand	80,121	78,601	57,038
Real estate leases (G4 – FS6)				
Portfolio	€ thousand	872,911	994,651	1,044,627
Amount financed	€ thousand	86,243	64,988	79,632
Boat leases (G4 – FS6)				
Portfolio	€ thousand	56,993	41,338	21,557
Amount financed	€ thousand	42,734	25,481	19,372
Lease customers iby geographical area (G4 – FS6)				
Portfolio				
Lombardy	€ thousand	515,059	532,551	525,062
Piedmont	€ thousand	149,675	167,251	181,582
Valle D'Aosta	€ thousand	12,079	15,687	12,474
Liguria	€ thousand	84,743	85,854	61,031
Total Northwest Italy	€ thousand	761,557	801,343	780,149
Veneto	€ thousand	194,521	174,265	155,613
Trentino Alto Adige	€ thousand	37,604	33,790	14,144
Friuli Venezia Giulia	€ thousand	101,368	110,786	116,309
Emilia-Romagna Region	€ thousand	445,280	477,782	494,093
Total Northeast Italy	€ thousand	778,772	796,623	780,159
Tuscany	€ thousand	124,362	124,604	115,542
Umbria	€ thousand	12,293	13,060	12,133
Marche	€ thousand	21,473	10,235	8,937

Operating leases (G4 – FS6)		2017	2016	2015
Abruzzo	€ thousand	5,517	5,592	3,938
Lazio	€ thousand	119,118	123,829	153,022
Total Central Italy	€ thousand	282,763	277,319	293,572
Molise	€ thousand	7,024	6,307	6,020
Campania	€ thousand	81,139	84,673	76,149
Calabria	€ thousand	125	281	291
Basilicata	€ thousand	4,368	5,335	1,484
Puglia	€ thousand	6,584	6,062	7,988
Sicily	€ thousand	7,477	6,835	6,397
Sardinia	€ thousand	11,919	12,458	14,597
Southern Italy and Islands Total	€ thousand	118,636	121,951	112,926
Italy Total	€ thousand	1,941,729	1,997,237	1,966,805
Non-Italy	€ thousand	2,059	2,170	2,689
Total portfolio	€ thousand	1,943,787	1,999,406	1,969,494
Amount financed				
Lombardy	€ thousand	128,336	106,909	62,199
Piedmont	€ thousand	44,096	31,008	33,720
Valle D'Aosta	€ thousand	5,000	0	9,149
Liguria	€ thousand	21,988	23,408	40,076
Total Northwest Italy	€ thousand	199,420	161,325	145,144
Veneto	€ thousand	88,875	51,645	53,352
Trentino Alto Adige	€ thousand	2,867	9,712	24,144
Friuli Venezia Giulia	€ thousand	33,755	22,979	31,335
Emilia-Romagna Region	€ thousand	121,675	97,162	82,199
Total Northeast Italy	€ thousand	247,172	181,497	191,029
Tuscany	€ thousand	36,164	31,478	35,246
Umbria	€ thousand	4,336	5,461	2,147
Marche	€ thousand	5,879	19,248	3,235
Abruzzo	€ thousand	2,052	3,203	212
Lazio	€ thousand	18,183	20,022	10,969
Total Central Italy	€ thousand	66,614	79,413	51,809
Molise	€ thousand	725	2,519	289
Campania	€ thousand	26,429	30,396	23,620
Calabria	€ thousand	133	0	0
Basilicata	€ thousand	19	51	223
Puglia	€ thousand	263	3,066	1,260
Sicily	€ thousand	681	848	55
Sardinia	€ thousand	182	801	158
Southern Italy and Islands Total	€ thousand	28,431	37,682	25,604
Italy Total	€ thousand	541,637	459,917	413,586
Non-Italy	€ thousand	0	0	2,179
Total amount financed	€ thousand	541,637	459,917	415,764
Number of Customers				
Lombardy	Number	1,998	2,065	2,029
Piedmont	Number	752	750	680
Valle D'Aosta	Number	2	4	4

Operating leases (G4 – FS6)		2017	2016	2015
Liguria	Number	508	484	459
Total Northwest Italy	Number	3,260	3,303	3,172
Veneto	Number	883	885	796
Trentino Alto Adige	Number	68	69	55
Friuli Venezia Giulia	Number	825	848	786
Emilia-Romagna Region	Number	1,756	1,750	1,669
Total Northeast Italy	Number	3,532	3,552	3,306
Tuscany	Number	655	661	601
Umbria	Number	60	59	50
Marche	Number	38	39	34
Abruzzo	Number	27	26	19
Lazio	Number	406	405	403
Total Central Italy	Number	1,186	1,190	1,107
Molise	Number	10	8	5
Campania	Number	603	599	567
Calabria	Number	7	6	6
Basilicata	Number	8	9	10
Puglia	Number	20	23	21
Sicily	Number	18	17	15
Sardinia	Number	12	14	13
Southern Italy and Islands Total	Number	678	676	637
Italy Total	Number	8,656	8,721	8,222
Non-Italy	Number	2	2	nd
Total number of Customers	Number	8,658	8,723	8,222

Support to businesses and to the agri-food sector

The CAIBG supports the growth and internationalization of the most dynamic businesses that are ready to invest in innovation: the Corporate Banking channel can provide dedicated advisory services and innovative solutions in order to support these businesses in their growth, at a both national and international level.

It promotes the competitiveness of the communities it operates in, as a driver for boosting the competitiveness of the business itself. Indeed, businesses and the communities are intertwined: healthy businesses increase the health of the community they are based in, which, in its turn, is the breeding ground for the local economy. The businesses that are part of its economic fabric are generally healthier and more reliable.

Loans/Funding from Corporate Customers by sector (%) (G4 – FS6)		2017	2016	2015
Agriculture, forestry and fishery	Loans (mln €)	2,017	1,880	1,775
	Funding (mln €)	506	448	344
	Indirect funding (mln €)	68	93	89
Trade	Loans (mln €)	1,962	1,997	2,075
	Funding (mln €)	1,318	1,085	964
	Indirect funding (mln €)	193	197	170
Construction and real estate	Loans (mln €)	2,085	2,355	2,754
	Funding (mln €)	1,018	687	648
	Indirect funding (mln €)	118	123	114
Manufacturing	Loans (mln €)	4,536	4,313	4,256
	Funding (mln €)	2,127	2,170	2,468
	Indirect funding (mln €)	715	736	716
Services	Loans (mln €)	3,547	4,419	3,710
	Funding (mln €)	3,908	3,525	2,851
	Indirect funding (mln €)	417	596	414
Other sectors	Loans (mln €)	1,394	1,524	1,413
	Funding (mln €)	3,510	3,186	2,704
	Indirect funding (mln €)	750	11,198	10,392
Total	Loans (mln €)	15,541	16,488	15,983
	Funding (mln €)	12,386	11,101	9,977
	Indirect funding (mln €)	2,262	12,943	11,895

Based on this logic, in 2017 projects were started in cooperation with some local and national partners, and several meetings were held with Trade Associations, in order to strengthen the relationship with them, respond to the requests made by businesses and support them in their development plans. Evidence of this is given by the Group's ongoing cooperation with leading Confidi (Italian mutual loan-guarantee consortia), a process that supports the growth and development of local businesses making access to credit easier for them.

The most important projects, in environmental and social terms, carried out in 2017 are reported below:

- Lending to SMEs through the Italian State Guarantee Fund for SMEs was promoted, in order to increase the financed amounts thanks to the Stare guarantee;
- The CAIBG signed a new agreement was signed with the European Investment Bank (EIB) providing for Euro 100 million worth of loans intended for SMEs and Mid-Caps, with a specific focus on the needs of agri-food sector players;
- In its capacity as direct intermediary, the Bank promoted the agreement signed with the European Investment Fund (EIF), thanks to which, in 2017, several transactions were carried out to the benefit of innovative enterprises;
- The "Preauthorized Loans" initiative continued, which is intended for Mid-corporate customers and aims at shortening the time for loan authorization. In 2017, this initiative involved 1,549 Customers in the Individuals segment for a total financed amount of Euro 107.9 million and 186 companies for Euro 152 million;
- The "Misys Trade Portal" became fully operational; it is an integrated e-banking solution that makes a multifunction Internet platform available to Customers for online management of Import/Export letters of credit, international guarantees and STANDBY LC.
- A cooperation agreement was signed with the Group's Investment Bank in Italy ("Itaca" project) in order to have a better and more complete combined range of products and services for the Mid-Corporate segment, closer control and stronger relations with Customers that are in top management positions and to drive strong development of the synergies between the entities of the CA Group in Italy;
- The Bank joined the "Sace 2i per l'impresa" programme supplementing the "New Markets" agreement in force. Thanks to this programme, Sace can have a counter-guarantee issued by the EIF and enterprises can have better access to credit;

- As regards internationalization, an agreement was signed with Altios, a leading partner that assists companies starting operations abroad and follows them in all the steps along their international development, From their first operations in the target market to the setting up and management of a permanent establishment;
- The“SuperInnova” project was designed and is now operational in supporting innovation in enterprises, responding to the Customers’ specific requirements in the Industry 4.0. field. Thanks to a team of specialists, SuperInnova helps enterprises to find highly customized and flexible solutions in accordance with the enterprise life cycle and the sector of operations.

Financed amounts secured		**2017[1]**	**2016**	**2015**
Central Guarantee Fund				
Transactions	Number	345	258	nd
Amount	€ Mln	86	85	nd
SACE				
Transactions	Number	25	56	nd
Amount	€ Mln	29.7	103	nd

(1) Since 2017 products have been reported based on the total financed amounts at the Group level for all channels

The Regional Multipurpose Fund also contributes to supporting new entrepreneurship projects: it was set up by the Emilia-Romagna Region. The Bank participates in a joint loan with own funds (30%) at subsidized interest rates agreed on with the Unifidi Regional Guarantee Consortium, the other part of which (70%) is given by the Fund at a zero interest rate. Specifically, theStarter Fund is the widest section of the Multipurpose Fund and, by allocating Euro 11 million, finances types of investments aimed at:

- Organizational development and finalization of products and services by small enterprises that show actual potential for growth;
- Employment strengthening and creation of new jobs based on business plans, also by networking;
- The implementation and effective use of ICT tools as advanced services and solutions with the purchase of software products and innovative technology solutions for digital manufacturing.

Moreover, the project with the Ricrediti Social Promotion Association continued, in cooperation with Fondazione Cariparma and Associazione Ricrediti in order to promote the provision of “microcredit” for self-entrepreneurship iniatives that would otherwise have no easy access to credit. In 2017, the amount financed came to €62,886 for 11 new lending transactions.

Retail banking products designed to deliver a specific social benefit[1] (G4 – FS7)		**2017**	**2016**	**2015**
Associazione Promozione Sociale Ricrediti	€	62,886	91,300	24,200
Scelgo Io – Women entrepreneurship	€	980,000	153,418,652	107,463,967
	Number	330	nd	nd
	Loans in € Mln	1,9	nd	nd
“Conto associazioni”	Direct funding in € Mln	12.4	nd	nd
	Number	98	nd	nd
	Loans in € Mln	1.4	nd	nd
“Conto associazioni No Profit”	Direct funding in € Mln	55.6	nd	nd
Amount allocated for natural disasters/earthquake in Central Italy	Number	1,415	nd	nd
	€ mln	13.8	nd	nd

(1) The products that do not have any comparison figure for previous years are attributed to 2017 only

In 2017, Crédit Agricole Leasing Italia succeeded in fully exploiting the opportunities resulting from the Italian Government measure on capital equipment (the so-called “Nuova Sabatini” Law) providing subsidies to enterprises by the Italian Ministry of Economic Development (MISE). This measure provides support to investment for the purchase, under lease contracts, of machinery, equipment, plans capital equipment to be used in production, as well as of hardware, software and digital technology devices to promote “Industry4.0” development . Thank to these subsidies, in the reporting year CALIT signed 521 new contracts for a total amount of Euro 82.4 Mln, of which about Euro 30 Mln for Industry 4.0 loans.

Thanks to its vast experience and to specific skills acquired in the sector, the CAIBG is the partner bank of choice for the Italian Agri-food sector that, given its close bonds with local communities and areas, has distinctive features in terms of environmental (and social) sustainability and in terms of development of rural areas, also in terms of employment. The Group has embraced and constructs the Banque Verte vocation of the Parent Company CASA providing support to producers and ensuring stable procurement to processors, through lines of products specifically designed for every supply chain (Grains, Wine, Garden Farming, Milk, Animal Breeding) and through advisory services provided by dedicated specialists. This approach based on vertical supply chains ensures procurement stability in many sectors, such as the processing tomato one, the wineries with export operations and organic farming. Every loan application is assessed based on the project sustainability in the medium/long-term, favouring especially the promotion of sustainable activities in agri-food production supply chains. Moreover, the Bank promotes partnerships with the main trade association by sharing standardized processes. To fully understand and meet the sector's requirements, the Agri-food account managers are provided specific training in order to be able to provide tailor-made services to Customers. The strategy implemented by the CAIBG is based also on Small Business Centers, with specific skills allocated in accordance with the local area core economic activities.

The agreement signed with the EIB is intended to support this approach and to promote the businesses operating in the Agri-food sector, allocating an amount of Euro 100 million.

In 2017, in cooperation with the Parent Company CASA, the Agriadvisor app was developed; it a tool designed to make a diagnostic analysis of the short and medium term financial needs of farms and to simulate possible financial support solutions to be provided within a bespoken advisory service.

In 2017, also Crédit Agricole Leasing Italia started to use the "Agilor" platform, which is used by the Banks of the Group. The platform is an operational solution for the management of lending through partnerships with loans and finance leases aimed at promoting purchases of farm equipment. CALIT also set up a specialist team for the management of applications regarding the Agri-food sector. The implementation of these solutions led to a 14% increase vs. the previous year, for a total financed amount of approximately Euro 145 million.

(G4 – FS6) Agri-Food Focus		**2017**	**2016**
	Number	30,651	30,679
	Loans (mln €)	3,665	3,363
Agri-Food Customers	Funding (mln €)	1,027	1,574

Proximity to customers and communities

The Crédit Agricole Italia Banking Group plays an active role in the communities and local areas it operates in, as a partner of choice in the economic, social and cultural development of Italy as a whole.

Proximity to its Customers is ensured also with a widespread network in the areas the Group operates in. The Fellini Combination, which was finalized in December 2017, is part of this approach and way of doing business, since, with it, the CAIBG has strengthened also its proximity bank role and ability, thanks to the acquisition of three Savings Banks, Cassa di Risparmio di Cesena S.p.A., Banca Carim S.p.A. and Cassa di Risparmio di San Miniato S.p.A, that feature strong bonds with their communities. As at 31 December 2017, the Group's branches and other network structures were up and operating in 574 municipalities and the breakdown by geographical location is given below:

Region	Group's Branches	System Branches To 31.12.2017	MS
Piedmont	58	2,251	2.6%
Lombardy	165	5,443	3.0%
Veneto	88	2,804	3.1%
Friuli-Venezia Giulia	87	735	11.8%
Liguria	69	766	9.0%
Emilia-Romagna	286	2,806	10.2%
Tuscany	133	2,090	6.4%
Umbria	11	458	2.4%
Marche	10	885	1.1%
Lazio	47	2,293	2.0%
Campania	56	1,365	4.1%
Italy	**1,010**	**27,325**	**3.6%**

Access point in low-populated or economically disadvantaged areas (FS13)		2017	2016
Towns with population < 5,000 inhabitants	Number	135	138
Towns with population < 5,000 inhabitants	Number	142	147

Network		2017	2016
Branches	Number	1,010	815
Small Business Centers	Number	49	26
Private Banking Markets	Number	22	21
Corporate Banking Markets (Mid-Corp)	Number	21	20
Corporate Banking Areas (Large-Corp)	Number	1	1
Financial Advisors Markets	Number	9	5

Based on the Bank's proactive participation in the social fabric, several collaboration arrangements and partnerships are in place with leading local, national and international players. The shared intention is to enhance the Italian social and cultural heritage and to make it visible and accessible to a larger and larger number of users, through different initiatives, projects and channels. The Group's social engagement is expressed also as cooperation with non-profit organizations, as the implementation of activities in partnership with employees, trade unions and customers.

In 2017, the CAIBG set up a partnership, having five-year duration, with the Ca'Foscari University, within which several initiatives were organized and involved its students. Some of these initiatives were the issue of a Multiservice Card for all the students and staff of the University, training sessions on financial education, work orientation and guidance initiatives and the possibility to have an internship in the Crédit Agricole Group, in Italy or abroad.

Moreover, the Convention for the "Natural Disaster Fund" and the "Central Italy Earthquake Fund" was signed with the Italian Banking Association (ABI) and with Cassa Depositi e Prestiti (a State-owned Italian bank), for providing support to the populations hit by natural disasters: ABI and Cassa Depositi e Prestiti signed the agreement laying down the conditions under which the latter makes available funds to Banks for subsidized loans, secured by the Italian Government, to be used to repair the damage caused to private property and economic and production activities by natural disasters. The loans and related management expenses will be repaid to the Bank with the related tax credits that will be transferred to it by the borrowers. Therefore, at the due dates set in the amortization schedule, the borrower shall have no payment to make.

Involving the Communities

Proximity to the communities is expressed also through initiatives that focus on cultural high-end assets of the communities, supporting theatres, art exhibitions and shows. Among the art exhibitions supported in 2017 worth being specifically mentioned are the one dedicated to Manet, at Palazzo Reale in Milano, exhibiting over 50 pictures coming from the Musée d'Orsay, which was attended by over 150,000 visitors, and the one dedicated to Guercino in Piacenza, set up between Palazzo Farnese and the Duomo, with a dedicated structure installed to visit the cupola at full height, which was attended by 100,000 visitors. As regards the theatre, the Festival Verdi was again supported, which is organized by the Teatro Regio of Parma, as was the entire season of the Teatro Municipale of Piacenza, thanks also to the tax recoveries pursuant to the Italian Law on "art bonus" that provides for a 65% tax credit on the amount paid. In 2017, the Teatro Stabile of Torino was also supported, with "Sleeping Beauty" a show for children. Again within actions for culture, the initiative "School of Journalism" continued being supported, which is intended for the high schools of Piacenza, in cooperation with the "Libertà" newspaper, and aims at promoting newspaper reading in class. After the earthquakes that stroke in 2012 and 2016, the Group decided to contribute to the restoration of the Oratorio di San Damiano and of the Collegiata in San Martino in Rio, in the province of Reggio Emilia. The works for the restoration of these historical monuments were funded by the Group, as to the former, in cooperation with First Social Life, and, as to the latter, thanks to the funds provided by the Emilia-Romagna Regional Government and thanks to the fund raising among private citizens and businesses. In July 2017, an agreement with Foundation of the Italian National Association of Alpini (an elite mountain warfare military corps of the Italian Army) was signed for construction of Multifunction Center in Accumoli, Province of Rieti, one of the communities that suffered the largest damage caused by the earthquake. Thanks to the contributions of employees and customers of the Companies of the CAIBG, about Euro 123,000 were collected to which a donation of Euro 177,000 was added, for a total of Euro 300,000 for the project. The Companies of the Group are engaged in the payroll giving fund raising project that was started by the Bank's Joint Committee, within which the cents of the employees' net pay can be donated to a dedicated project, and the Bank contributes with the cents needed to make 1 Euro. In 2017, the employees' donations supported two projects, one with the Operation Smile Foundation, to which an amount of Euro 32,574 was donated to buy a 3D intraoral scanner that will be used by the Association at the San Paolo di Milano Hospital of Milan, and the other with the Team for Children Association, to which an amount of Euro 42,700 was donated to complete and furnish the Teen Zone, i.e. a new facility of 170 square metres that will be built and made available to teenager patients of the Pediatric Hematology and Oncology Department of the Hospital of Padova. Disability, health projects and access by children of very low income households to sports were as many other scopes of action, in the wider social scenario, which the Group focused on in 2017. Among these worth mentioning is the 2017 Diego Dominguez Rugby Camp, which was held in Naples, in cooperation with Rugby Scampia to give the opportunity to 40 children selected by local clubs to spend a week in "day camp". Again regarding sports, the Crédit Agricole Cariparma Running was held again in 2017 and every year is attended by over 6,000 people. Within this event, the "Corri per la Vita" (Run for life) charity walk is always held, and, this year, the money raised by selling bib numbers, which is then doubled by the Bank as charity donation, was given to the Munus Onlus, Forum Solidarietà and AISLA associations.

CA FriulAdria and CA Cariparma have allocated funds to be used by the Retail Banking Management Areas at their discretion for social and cultural initiatives.

Investments in the community (201-1)		2017	2016	2015
Sponsorships	%	63.9%	60%	68%
	Euro	€ 3,135,477.50	€ 3,263,455	€ 3,769,755
Donations from the charity fund	%	36.1%	40%	32%
	Euro	€ 1,772,658.66	€ 2,147,461	€ 1,811,278
Scopes of action (Sponsorships)				
Culture	%	3.7%	3%	6%
	Euro	115,300.00 €	€ 116,986	€ 246,810
Other	%	3.6%	26%	34%
	Euro	112,539.50 €	€ 836,392	€ 1,266,244
Sports	%	67.5%	70%	60%
	Euro	2,117,899.00 €	€ 2,288,716	€ 2,255,801
Financial	%	25.2%	1%	0%
	Euro	789,739.00 €	€ 21,361	€ 900
Scopes of action (Donations from the charity fund)				
Culture	%	62.2%	62%	55%
	Euro	1,102,060	€ 1,317,700	€ 999,900
Company name	%	30.9%	31%	34%
	Euro	548,149	€ 668,633	€ 608,887
Sports	%	3.2%	3%	5%
	Euro	56,200	€ 69,500	€ 99,600
Other	%	3.7%	4%	6%
	Euro	66,250	€ 91,628	€ 102,891

Fight against active and passive corruption

RELEVANCE FOR THE CAIBG BUSINESS OPERATIONS

Corruption is one of the most substantial and current problems for the banking sector as a whole. The CAIBG fights this threat with a governance model based on ethical principles and on fair and transparent business management. This approach is expressed with the material topic Integrity in governance processes and in business management, which stresses the importance of fighting corruption and of proper business management in the Group's strategy.

The Crédit Agricole Italia Banking Group is determined to fight any form of corruption though the controls performed by the Compliance Department. This Department constantly monitors and assesses the impact of the anti-corruption legislation on the Bank's processes and procedures; it also designs the policies for the prevention and control of corruption.

The Compliance Department constantly monitors the evolution in laws, regulations, standards, codes, self-regulations and professional and ethical practices, both national ones and the ones of the Crédit Agricole SA Group, ensuring constant upgrading of the internal regulations. Specifically, it validates ex-ante the regulatory framework and the system of operational processes of the Group. It also performs controls on the effectiveness and actual implementation of the operational practices, in order to mitigate the non-compliance risk.

Moreover, the Bank has always set transparency and fairness in the design and sale of financial products as the foundation of every activity performed for its internal and external stakeholders, to ensure that all stake can make aware and informed choices.

POLICIES ON THIS TOPIC

In 2017, the **policy to fight frauds** was prepared and approved by the Board of Directors of the Parent Company on 12 December 2017.

The Crédit Agricole Italia Banking Group has implemented also a "**Policy for the Reporting of Offences or Malpractices**" also known as "**Whistleblowing Policy**" aimed at ensuring that the Group has an internal system in place for the reporting of any deeds or facts that could amount to violation of the legislation and regulations governing the banking business, keeping the identity of anyone reporting offences or malpractices confidential (employees or people operating within contracts or arrangements entailing their inclusion in the Group's corporate organization). This policy lays down the procedures to receive, analyze and manage any reporting of suspected offences, malpractices or violations (whistleblowing) committed by employees, corporate officers or third parties.

The Lending Policies in the Compliance scope provide for the decision on whether to authorize every single loan application and request of use made by politically exposed persons, Countries subject to embargo or under surveillance and activities in the "sectors under surveillance" to be made by Central Bodies vested with the relevant responsibility and powers as in force, in at least the position of Head of Division within the Credit Department, after prior and favourable opinion given by the Anti-money-laundering Service.

ACTIVITIES AND OPERATING PERFORMANCE

As regards anti-corruption, in January 2017 the Bank had an assessment carried out by a Company specializing in anti-corruption actions, which contributed to the obtainment, as one of the first banks in the market, the "*Certification du dispositif de lutte contre la corruption*" (the Certification of the anti-corruption system).

In this regard, for the Crédit Agricole Italia Banking Group, training has always been an essential and decisive factor to convey the regulatory contents, associated risks and the system in place to protect the customers, the employees and the Companies of the Group. The Compliance Department is in charge of training on this matter through courses, in accordance with the skills and seniority accrued. Other training activities are planned in cooperation with external highly-specialized companies or bodies. In 2017, a new annual training plan was prepared at Group level dedicated to the members of the Boards of Directors of all the Entities of the Group on the main regulatory pillars of compliance (compliance, financial security, international sanctions, responsibilities associated with the Directors' office in terms of supervision, confidentiality and prevention of conflicts of interest and market abuse).

As regards transparency and fairness in the design and sale of financial products, the Group implements communication forms that are well understandable and complete and promotes interaction and exchange of views with its customers through various channels, also in order to receive questions and suggestions.

Actions taken to respond to corruption incidents (205-3)		**2017**	**2016**	**2015**
Disciplinary measures for corruption incidents taken against employees	Number	-	-	-
Dismissal for corruption	Number	-	-	-
Total number of confirmed incidents of corruption	Number	-	-	-
List the different types of corruption incidents by employees				
Total number of confirmed incidents of corruption in which contracts with business partners were terminated or not renewed due to violations related to corruption	Number	-	-	-
Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.	Number	-	-	-

Communication and training about anti-corruption policies and procedures Scope		**2017**	**2016**	**2015**
MiFID training	Hours	8,542	219	748
Anti-money-laundering (AML)	Hours	6,759	11,735	12,419
Training on 231	Hours	712	3,127	1,889

Anti-competitive behavior, including anti-trust and monopoly practices (206-1)				
Legal actions pending during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant.	Number	-	-	-
Legal actions completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant.	Number	-	-	-

Staff Management

RELEVANCE FOR THE CAIBG BUSINESS OPERATIONS

The CAIBG has chosen to invest on its people and to put them at the centre and core of its transformation plan: relying on a strong and well-established corporate culture and confident in a Group able to evolve to new ways of work and relation in a continuously evolving scenario, it has called on its people to play a leading role in the change that will allow the value creation pursued by the Bank. This is the reason why the CAIBG constructs the key topics for representing staff management in accordance with the topics of *Internal exchange of views, welfare and equal opportunities and Work relationships and development of human resources.*

POLICIES ON THIS TOPIC

The ambition of a forward-looking Plan lies also in the bet that the Bank makes on its people. In a complex market scenario, the Crédit Agricole Italia Banking Group is fully aware that its people will make the true difference and will be more and more called on to be drivers of change in order to ensure and be part of the value creation pursued by the Bank.

The Business Plan uses important words such as change, innovation, transformation. The Group is strongly engaged in accompanying all its people along the path to transformation through specific training programmes, working to increase the skills of all its resources, with special focus on Change Management, Customer Satisfaction, Digital Culture, Commercial Methods and Approaches. Training and managerial development programmes go along with specific projects in order to attract the best talents available on the market and to enhance internal ones.

People's growth is ensured with career plans and crosswise experience, integration and exchange programmes between Italy and other Countries, leveraging on intra-group synergies that enhance the international spirit and scope of the work environment.

Staff management is based on the Alisei 2020 guidelines, a structured system for listening, development and assessment, within the wider scope of the *Ambizione Italia 2020* Medium Term Plan*. Alisei 2020* is a project aimed at making all the people the protagonists of their professional development, with tools that allow better and full-range knowledge of the colleague, extending exchange of views and sharing performances and observations, and fostering a transparent and crosswise course of growth.

ACTIVITIES AND OPERATING PERFORMANCE

Breakdown of Staff		**2017**	**2016**	**2015**[(1)]
Employees as at 31 December 2016	Number	8,269	8,195	8,415
New recruits (from the market, excluding re-employments)	Number	326	191	772
New recruits for intra-group acquisition	Number	12	0	676
Terminations (excluding retroactive termination to 2016)	Number	450	116	992
Terminations (intra-group)	Number	12	676	155
Breakdown of staff (102-8)				
By gender (31 Dec. 2017)				
Men	Number	4,192	4,264	4,222
Women	Number	3,954	4,005	3,973
By geographical area				
Italy	Number	8,142	8,266	8,194
NORTHERN ITALY	Number	6,844	6,944	6,877
Veneto	Number	604	582	583
Friuli Venezia Giulia	Number	947	988	977
Emilia-Romagna Region	Number	2,685	2,691	2,653
Lombardy	Number	1,520	1,570	1,559
Liguria	Number	641	638	628
Piedmont	Number	447	475	477
CENTRAL ITALY	Number	739	743	742
Tuscany	Number	373	371	371
Lazio	Number	332	337	337
Umbria	Number	34	35	34
SOUTHERN ITALY	Number	559	579	575
Campania	Number	559	579	575
Non-Italy	Number	4	3	1
Total	**Number**	**8,146**	**8,269**	**8,195**
Average age (years, months)	**Number**	**47.00**	**nd**	**nd**
Diversity of governance bodies and employees (405-1)				
Senior Managers	Number	12	12	11
Junior Managers	Number	1,517	1,466	1,414
Professional area (job level)	Number	2,425	2,527	2,548
Total	Number	3,954	4,005	3,973
Part-time (102-8)				
Employees with part-time contracts	Number	981	1,020	989
- of which women	Number	952	986	959
Return to work and job retention rate after parental leave (401-3)				
Number of employees that applied for parental leave	Number	627	610	581
- of which women	Number	515	534	524
Number of employees that returned to work after parental leave maintaining at least the same position	Number	615	603	568
- of which women	Number	504	531	511
Collective bargaining and trade unions representation (102-41)				
Employees under national collective bargaining agreements	Number	8146	8269	8195
Employees under national collective bargaining agreements	%	100%	100%	100%
Employees that are members of a trade union	Number	6916	7128	7084
Freedom of association and collective bargaining (407-1)				
Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Number	-	-	-

(1) For 2015, the figure of intra-group recruits/terminations mainly refers to the incorporation of the CAGS consortium

Recruited (401-1)				
Recruitment rate	%	4.15%	2.31%	17.7 %
By age				
<30 years	Number	168	85	71
30 – 50 years	Number	162	100	374
> 50 years	Number	8	6	327
By gender				
Women	Number	128	67	318
Men	Number	210	124	454
By position				
Senior Managers	Number	4	7	15
Junior Managers	Number	100	70	210
Professional area (job level)	Number	234	114	547
By geographical area (place of work)				
Campania	Number	6	9	7
Emilia-Romagna Region	Number	138	83	520
Friuli Venezia Giulia	Number	4	8	98
Lazio	Number	10	5	7
Liguria	Number	29	18	14
Lombardy	Number	84	43	98
Piedmont	Number	17	7	5
Tuscany	Number	7	5	7
Umbria	Number	2	0	0
Veneto	Number	41	13	16

Terminations (401-1)				
Termination rate	%	5.67%	1.40%	12.10%
By reason				
Resignation	Number	55	55	59
Resignation for intra-group move	Number	12	0	676
Solidarity Fund	Number	290	0	155
Expiry of fixed-term contracts	Number	14	8	14
Retirement	Number	76	42	55
Other	Number	15	11	33
By age				
<30 years	Number	19	11	45
30 – 50 years	Number	52	44	394
> 50 years	Number	391	61	553
By gender				
Women	Number	179	35	403
Men	Number	283	81	589
By occupational category				
Senior Managers	Number	8	7	19
Junior Managers	Number	162	42	319
Professional area (job level)	Number	292	67	654
By geographical area				
Campania	Number	28	6	19
Emilia-Romagna Region	Number	142	49	594
Friuli Venezia Giulia	Number	42	7	103
Lazio	Number	20	2	11
Liguria	Number	23	7	23
Lombardy	Number	126	29	190
Piedmont	Number	42	7	28
Tuscany	Number	12	1	10
Umbria	Number	3	0	1
Veneto	Number	24	8	13

Development of Human Resources

Choosing people as assets to convey the distinguishing values of an innovative and proximity bank and to ensure provision of high quality services, entails a strong investment by the CAIBG in the growth of its human capital. Specific training, career plans and crosswise experience are the foundation of a transformation process that involves all resources as key drivers of the evolution of the Group as a whole. Based on this principle, in 2017 programmes and actions were implemented specifically designed for and targeted by function and market segment, in order to build a tailor-made service for customers. Specifically, in 2017 training was focused on support to the commercial network and included:

- Completion of the activities for training on customer management, which started in 2017;
- The start of training on commercial methods and approaches (included in the IVASS plan) and behavioural training for remote management of customers (pilot in July).

Considerable investments were made also for the Financial Advisors, Corporate Banking and Private Banking channels, with a double purpose: on the one hand conveying the style of Crédit Agricole to commercial account managers, strengthening an identity-bearing shared style and increasing the number of new customers; on the other hand increasing the coaching skills of the account managers' heads.

A specific set of online forms was developed for enabling the people involved in the Smart Working project, which includes also a specific form intended to increase awareness of the resources' heads on the need to adopt new behaviours in order to evolve and to be able to manage their staff working remotely.

The Digital scope included both the "digital culture" topic that was dealt with full attendance meetings with the Top Management, and the use of multichannel tools (Now Desk). A training programme also started in order to enable the Account Managers of the Retail channel to use digital media to interact with Customers, as an alternative to meetings in person.

A market benchmarking activity led to the optimization of training means, tools and effectiveness, also increasing e-learning programmes. Specifically, the use of webinars has been implemented, which allow a large number of trainees to be reached, ensure standardization of the messages conveyed and prompt delivery of new information useful for work to all the people of the Bank.

In 2017, a Change Management project was designed to accompany 1500 people in their move to the new management center, which has been scheduled for March 2018. The project is structured to cover various matters sharing the purpose of ensuring an innovative employee journey experience that is able to suggest and trigger a different wary of working. The topic lines concern property, communication, environmental sustainability, managerial behaviours inspired by and aiming at cooperation and interdependence Innovation is given also by the involvement of a group of Ambassadors as change scalers.

In 2017, an important behavioural and commercial training programme was implemented, which also covered technical and specialist matters, able to support the cultural change of the Private Banking Network as required subsequent to the continuous evolution in the competition scenario. The training programme had two objectives: strengthening management behaviours and skills of Structure Heads and, at the same time, promoting the Bankers' commercial culture for the management and development of the Customer portfolio;

Training (404/-1)				
Hours of training provided	**Hours**	**367,176**	**312,486**	**268,423**
- of which to women	Hours	176,022	152,962	125,827
Average hours of training per employee	Hours	45.07	38	33
By position				
Senior Managers	Hours	3,128	3,678	4,905
Junior Managers	Hours	212,606	170,361	155,628
Professional area (job level)	Hours	151,442	138,448	107,891
Average hours of training by position				
Senior Managers	Hours	33.3	38	52
Junior Managers	Hours	54.0	44	42
Professional area (job level)	Hours	36.8	32	25
Average hours of training by gender				
Men	Hours	44.5	37	34
Women	Hours	45.6	38	32
Training costs				
Amount of financed training	Euro	31,720	261,590	254,793

Training and development activities are accompanied by performance measurements that are useful in motivating and encouraging every one's professional growth.

In 2017, the assessment of managerial behaviours through the Management by Objectives (MBO) system has been upgraded to the Group's levels. The behaviours listed below refer to six values that inspire the Group in pursuing its strategic objectives:

- Entrepreneurial approach, being responsible and reliable;
- Being market-oriented and customer-oriented
- Attention to and enhancement of people;
- Crosswise skills and team spirit;
- Influence and innovation;
- Professional ethics and dissemination of the company's image and values.

The wider Alisei 2020 project contains also the changes made to the process for the measurement of the performances of all the employees of the Group, which has been aligned to the one used for senior managers to whom the MBO and Managerial Valuation processes shall apply. The behavioural assessment sheet was updated and structured based on the 6 distinctive behaviours that embody the Group's value, based on which the entire corporate population is assessed. Moreover surveys of individual skills have been scheduled for both commercial channels and for the Central Departments' staff, collecting both professional and personal features, in order to outline every person' full profile. These surveys apply a «double detection» mechanism involving staff members and their heads that ends with a final interview to discuss and agree on any observations and support actions. Downstream the survey on skills as provided for by Alisei 2020, development pathways will be implemented starting from the evidence collected, in terms of both skill gaps and motivation of employees.

Lastly, a structured pathway has been designed to lead the Network staff to the appointment as branch manager. This pathway includes training phases (School for Future Heads) and assessment of behavioural aspects (assessment of potential) and technical skills (Commission of future heads).

2017 Performance Measurement		POPULATION ASSESSED THROUGH PERFORMANCE MEASUREMENT IN THE YEAR 2017	POPULATION ASSESSED THROUGH PERFORMANCE MEASUREMENT IN THE YEAR 2017	POPULATION THAT CAN BE ASSESSED IN THE YEAR 2017
Senior Managers	Number	0	87	98
Senior Managers – Women	Number	0	10	12
Senior Managers – Men	Number	0	77	86
Junior Managers	**Number**	**3,472**	**59**	**3,842**
Junior Managers – Women	Number	1,371	7	1,466
Junior Managers – Men	Number	2,101	52	2,376
Professional area (job level)	**Number**	**3,733**	**0**	**4,325**
Professional area (job level) – Women	Number	2,188	0	2,523
Professional area (job level) – Men	Number	1,590	0	1,799
Comprehensive total	**Number**	**7,118**	**146**	**8,265**

Population assessed in the year(1) (404-3)		2017	2016
Senior Managers	%	100	97.8
Senior Managers – Women	%	100	91.7
Senior Managers – Men	%	100	98.7
Junior Managers	%	**91.9**	**97.5**
Junior Managers – Women	%	94.0	97.3
Junior Managers – Men	%	90.6	97.6
Professional area (job level)	%	**86.3**	**97.0**
Professional area (job level) – Women	%	86.7	97.2
Professional area (job level) – Men	%	88.4	96.8
Comprehensive total	%	**86.2**	**97.2**

(1) Since 2016 staff performances have been measured with "MBO" and "Performance measurement". The figures in the table do not include apprentices that are assessed with a specific measurement process. The percentages are calculated based on total people that can be assessed.

Promotions (404-3)				
Senior Managers	Number	0	3	3
- of which women	Number	0	1	1
Junior Managers	Number	307	159	312
- of which women	Number	134	60	120
Professional area (job level)	Number	371	216	350
- of which women	Number	245	138	202

As regards social dialogue, in 2017 over 70 meetings were held with the trade unions, which led to the signing of 8 Agreement valid for the Banking Group as a whole.

Some of the most important ones are:

- The agreement of the company bonus awarded to all employees, except for senior managers, based on the corporate performance achieved in 2016. To further promote company welfare, the Bank allows each employee to receive the bonus in cash or to use for purchasing welfare goods and services. Welfare services include, for example, refund of school and university tuition fees, purchasing leisure, wellbeing and healthcare goods and services, or allocating the amount to complementary pension or healthcare;
- The agreement for the renewal of the Healthcare policy for colleagues for the 2017-2018 two-year period with the Unisalute insurance undertaking;
- The agreement to extend Smart working to a potential group of 2500 employees that do not work directly with Customers;
- The agreement on commercial policies implementing a bargaining agreement and aimed ensuring that customers, people and respect of our fundamental values (dignity, integrity, responsibility and trust) are always at the centre and core of every action, also actions pursuing commercial objectives;
- The Easy Learning agreement provides for the activation in April 2018 of a pilot on a given number of branches, thanks to which the colleagues working in the network will be able to receive online training both at home or at another one of the Company premises.

Again in 2017, three new company-trade unions joint bodies engaged in the preparation and implementation of the Agreement on commercial policies and Healthcare.

The work continued of the Company-Trade Unions Joint Commission on Corporate Social Responsibility. The Commission promotes personal and organizational wellbeing, the implementation of participation practices fostering dialogue and internal communication quality, spirit of cooperation, fairness and development of skills, positive actions and equal opportunity, policies for work-life balance and policies on conciliation between environmental sustainability and mobility.

As regards welfare and work-life balance, smart working has been promoted and a section of the “Mondo welfare” portal has been activated and is dedicated to a set of time-saving or money-saving additional services, while the number of potential smart-workers has been increased. Moreover, the Group obtained the first “Family Audit” certification that acknowledges the Bank’s commitment to adopting measures for promoting its staff’s work-life balance. The Family Audit brand is awarded to organizations that engage in a programme of 3 years and a half, which provides for the design and implementation of a Conciliation Activity Plan that the CAIBG shall implement by 2019.

The Artemisia project continued in its action to support and proactively promote the development of gender management, through a series of integrated activities, aimed at professional growth of female staff and at developing a gender-oriented HR policy.

The gender management governance includes the Smart working & work and life balance project, commercial products and services to support women entrepreneurship and development and training programmes designed to increase the percentage of women in manager positions.

Some of the main activities in 2017:

- The Women Leadership Project: intended for former Mentees and Head of Services being high potential women; it provided 10 days of in-class training and a self-development plan with the support of a dedicated coach;
- Mentoring Project: it involved 22 Mentees, selected out of all high-potential woman colleagues, and 22 Mentors, Senior Managers with vast and strong experience working for the Company and eager to be of service to their colleagues. At the end of 2017, the foundations were laid to start the new programme scheduled for 2018;
- Coaching: different types of coaching have been activated for different profiles and managerial levels;
- The Mixitè Project: a project designed by CASA, shared by all the Entities of the Group and regarding the increase in the number of women in senior management positions. The set KPI consists in a 10% increase in the number of women in senior management positions in 2018;
- Valore D training programmes: training programmes dedicated to the Group's female staff, such as the Accelerating Path, C-Level School, cross-company Mentoring.

The constant attention and care in the management of its human resources were acknowledged with the awarding to the Group of the "*Top Employers*" quality brand. This Certification represents a prestigious award internationally assigned to the most virtuous companies in the search for and training of young talents. The brand is awarded after assessment of remuneration policies, work conditions and benefits, of the corporate culture, training, development and career opportunities. Specifically, the CAIBG stood out especially for its excellent performances in the scopes of culture, respect for diversity and social sustainability.

Ratio of basic salary and remuneration of women to men (FTE) (405-2)(1)		**2017**	**2016**	**2015**
Senior Managers				
- men	Euro	209,204.85	202,487.00	205,449.00
- women	Euro	149,297.80	139,134.00	145,419.00
Women/men pay ratio	%	71.4%	68.7%	70.8%
Junior Managers				
- men	Euro	65,218.4	64,097.0	63,756.0
- women	Euro	57,848.6	57,522.0	57,233.0
Women/men pay ratio	%	88.7%	89.7%	89.8%
Professional area (job level)				
- men	Euro	41,210.43	41,819.53	41,354.00
- women	Euro	40,327.37	40,501.40	39,916.00
Women/men pay ratio	%	97.9%	96.8%	96.5%

(1) Remuneration includes the base pay fixed component and the variable components. "Significant location of operations" means the Italian national territory.

Respect for Human Rights

RELEVANCE FOR THE CAIBG BUSINESS OPERATIONS

Even though this aspect is not one of the topics identified within the exercise for the updating of the bank's materiality topics (since the Group's operations are carried out mainly in Italy, where human rights are guaranteed by the legislation in force), because of the materiality of this topic in itself, the CAIBG is committed to ensuring that, in the scope of its operations, Human Rights are at all time acknowledged and respected in all their forms and applications. The Bank respects the fundamental rights of the people that operate on its behalf, enhancing and protecting their moral integrity and ensuring equal opportunities. Moreover, the Bank identifies lending to the defence sector as an area potentially overlapping the topic of human rights. In this scope, specifically through the Compliance Department, the Bank assesses every single loan based on the object of the transaction, the type of counterparty and the political risk of the Country of destination.

POLICIES ON THIS TOPIC

As regards human rights, the CAIBG carries out its activities and operations complying with the principle contained in its Code of Ethics, that expresses the fundamental values adopted and embraced by all its subsidiaries and binding for all staff members, irrespective of the type of employment contract or work relationship. The Code of Ethics is based on and supports the UN Global Compact principles, which the Bank has been using since 2014.

The CAIBG has a specific policy in force for the management of loans to the defence sector and for business relations with companies that operate in the arm and defence industry. The "***Policy of the Crédit Agricole Italia Banking Group on lending, investment, provision of services to customers belonging to the arm and defence industry***" is based on Crédit Agricole guidelines, supplemented with the indications of the applicable national legislation and in compliance with the expressed principles. It lays down the guidelines for the management of the authorizations to be issued by the competent Ministries, in order to ensure that such transactions are compliant with the foreign and defence policy of the Italian State and are always fully compliant with the Italian Constitution. Specifically, no loan, of any type, is authorized by the Group to counterparties that are involved in the manufacturing, storage or sale of anti-personnel mines and cluster bombs and no credit facility is authorized intended for the financing of international trade of nuclear, biological or chemical weapons or other weapons of mass destruction. The document sets forth the processes for the identification and performance, as well as the responsibilities of the single roles and departments. The Compliance Department assesses every single lending transaction, considering the object of the transaction, the counterparty and the political risk of the country of destination of the loan. In its *Lending Policies for Firms, Production Chains and Public Administration Entities,* the countries subject to embargo and the countries under surveillance are clearly set forth. The document also refers to the so-called *"Sectors under Surveillance",* that is to say, the scopes where the Bank uses extra and specific care in all lending phases, some of which require social impact assessment and management and, therefore, they may potentially conflict with the respect for Human Right. This list also includes *trade and processing of diamonds.*

ACTIVITIES AND OPERATING PERFORMANCE

Placing people at the centre and core of the Group's transformation plan means, first of all protecting their rights and ensuring the work environment of each one of them is favourable to his/her development. In order to do so, the Bank cannot but adopt the principles of equality, equal opportunity and cannot but promote individual diversity as added value. This approach is accompanied by constant training that informs the Group's people on the policies and procedures concerning Human Rights in all their aspects.

Training provided to employees on the policies and procedures regarding all Aspects of human rights Code of Ethics) (412-2)		**2017**	**2016**	**2015**
Trained employees	%	6,1%	7,4%	5,5%
Trained employees	Number	494	614	455
Hours of training provided	Hours	988	1,382	1,071

Total number of incidents of discrimination and corrective actions taken (406-1)				
Number of discrimination-related complains/disputes	Number	-	-	-
Number of employees involved	Number	-	-	-
Incidents of discrimination (406-1)				
Incidents of gender-related discrimination involving employees	Number	-	-	-
Incidents of age-related discrimination involving employees	Number	-	-	-
Employees involved in incidents of gender-related discrimination	Number	-	-	-
Employees involved in incidents of age-related discrimination	Number	-	-	-

Labour disputes				
Reporting entity as defendant	Number	12	20	20
Reporting entity as plaintiff	Number	8	9	9
Number of employees involved	Number	19	26	27
Disciplinary measures				
Reprimands	Number	74	78	106
Dismissals	Number	2	3	10
Information and awareness increase	Number	48	36	75

Lending to the defence sector

The Bank rules out the authorization and disbursing of any type of loan, to counterparties that are involved in the manufacturing, storage or sale of anti-personnel mines and cluster bombs and no credit facility is authorized intended for the financing of international trade of nuclear, biological or chemical weapons or other weapons of mass destruction. The central decision making bodies, after obtaining the consent of the Anti-money laundering legislation Service, is responsible for assessing any loan authorization to controversial economic sectors, such as casinos, gambling, betting, trade of works of art, renewable energy, trade and processing of diamonds, collection and disposal of hazardous waste.

In 2017, the International Sanctions Service, which has been set up on 31 October 2016, became fully operational; it is responsible to screen and control any counterparties engaged in activities or based in Countries that are subject to embargo or surveillance; it also monitors and controls the “International Sanctions” potential risk (international sanctions being measures issued by UNO, EU and OFAC) in terms of Governance, Information System, Staffing, Training and Permanent Controls.

Number of applications (102-2)		**2017**	**2016**	**2015**
Favourable	Number	271	275	203
Unfavourable	Number	2	4	15
Out-of-scope	Number	0	0	0
Value of favourable transactions	mln of Euro	119.5	51	173.7
Area (favourable only)				
Europe	%	61%	66%	61%
Asia and Oceania	%	17%	15%	13%
Africa	%	6%	3%	11%
North America	%	16%	15%	9%
South America	%	0%	2%	6%

Environment (and health and safety) aspects

RELEVANCE FOR THE CAIBG BUSINESS OPERATIONS

Respect for and protection of the environment are ensured by the CAIBG based on two different interpretations: one regards the direct environmental performances of the premises of its Banks; the other regards the promotion of the Green economy through the provision of products and services that have been designed to promote energy saving solutions and control of emissions and intended for both Individuals and Businesses. Both interpretations are summarized in the material topic *Protection of the environment and promotion of the Green Economy*. As regards the environment, the two interpretations are combined with constant attention to people in terms of occupational health and safety, which provides also for mitigation of the “robbery” and “break-in” risks.

POLICIES ON THIS TOPIC

The criteria governing the provision of products and services for the development of a green economy are laid down in the Lending policies for Businesses, Production Chains and Public Administration Bodies;. This document outlines the lending directions to support the renewable energy supply chain, specifying lending parameter in accordance with the type of energy source used. This category includes photovoltaic, biogas and solid biomass plants, mini hydroelectric mini wind power plants, dams and hydroelectric plants. Evidence of the Group’s commitment to the protection of the environment is given by its loans to the sector of production with non-renewable energy: any lending to fossil fuel power stations is assessed only where the loan in intended to cover an investment for the improvement of energy performance and efficiency above the set thresholds. The measurement and management of environmental impacts amounts to a criterion for deciding whether to authorize the loans applied for, which is used also for loans applied for in the extraction-mining sector, including mines, ore, oil and gas; in processing these loans applications, the measures put in place by the applicants to prevent and reduce pollution are also assessed, as are those for the protection of biodiversity.

The “Sectors under surveillance” listed in the Group’s Lending Policies include “*collection and disposal of hazardous waste*”.

As regards occupational health and safety, the Group refers to the Risk Validation Document, which was updated in 2017 to upgrade the relevant procedures to the changes that concerned the production process or the work organization, which are significant in terms of occupational health and safety. It is a strategic direction document implementing the Company’s health and safety policy. This policy is based on the main principles given below:

- Pursuing full protection of workers’ health and psychophysical integrity, as well as wellbeing, by fitting and providing high-quality work premises, equipment and processes;
- Continuing in the direction laid down by Article 28 of Italian Legislative Decree 106/09, the assessment of both “risk factors” and “risk conditions”;
- Pursuing a “precautionary principle” pursuant to Article 15 of Italian Legislative Decree 81/08, and to Article 2087 of the Italian Civil Code.

Even though the Group’s activity does not entail any strong impacts on the environment, daily operations are managed in accordance with the principles of preventing overconsumption, reduction in polluting emissions, careful and limited consumption of paper, water and energy, along with waste management aimed at recovering the materials disposed of. These management policies are contained in the Code of Ethics. A priority is also to limit any indirect impacts associates with the operations of suppliers, with awareness increasing actions and proactive policies, such as the exclusion of polluting products or activities from business with suppliers.

ACTIVITIES AND OPERATING PERFORMANCE

The Bank's commitment to the environment is expressed mainly with the design and provision of products and services aimed at energy saving, reducing emissions and protecting the local environment.

In order to contribute to promoting energy efficiency solutions, the CAIBG offers "Energicamente Gran Prestito", a loan designed for Customers that intend to purchase and install solar or photovoltaic panels at subsidized terms and conditions.

Thanks to Gran Mutuo Green, the Bank supports reforestation initiatives in in areas affected by major deterioration or at risk of hydrogeological instability. In 2017, tree planting continued in the Municipality of Pietrasanta, Parco la Versiliana and in the Municipality of La Spezia, where 3,500 trees were planted.

Thanks to the Corporate Banking segment, the Group continued to promote the development of a green economy, thanks to its products and services designed to support enterprises in their projects and investments to improve and boost eco-efficiency.

The CAIBG supports businesses that intend to invest in energy production from renewable sources and in energy efficiency upgrading, with specific advisory services and two dedicated products:

- "Energicamente Business", which has been designed to finance building projects, the upgrading or recommissioning of plants for energy production from renewable sources: Biogas, Biomass, Wind power, hydroelectric, Geothermal and photovoltaic sources;
- "Cresco Green", a service package that gives the possibility to apply for loans supporting energy efficiency projects aimed at reducing energy consumption by reorganizing production processes and enhancing their efficiency.

In terms of environmental protection, the "Fondo Energia" subsidized lending initiative falls within the Multipurpose Fund scope, with the loan jointly given by the Bank to support enterprises in enhancing energy efficiency. The subsidy arrangement provides for an allocation of Euro 36 million to support interventions for reducing energy consumption and producing energy from renewable sources.

In 2017, the cooperation continued with Edison Energy Solutions, a company of the Edison Group operating in the market as a provider of advisory services on energy, design and construction of self-production plants on site and interventions for energy performance upgrading, with the Group as the lender financing enterprises that intend to invest in eco-efficiency and reduce impacts on the environment.

Products and services designed to a deliver a specific environmental benefit (G4 – FS8)		2017	2016	2015
Energicamente Gran Prestito	€ mln	0.1	0.2	0.3
"Energicamente Business"	€ mln	13.9	10.8	10.1

In a green perspective, in 2017 Crédit Agricole Leasing Italia Agricole Italia signed 16 renewable energy contracts for an amount of approximately Euro 20 million. Specifically, it financed two low-environmental-impact hydroelectric plants: one, Eaux Valdotaines, located in Valgrisenche (AO), and the other, Bluenergy, in Formazza (VB). The two plants have a rated net power of 1,100 kW and will provide clean energy to about 3,500 households.

Energy leases (G4 – FS8)		**2017**	**2016**	**2015**
Portfolio				
Wind farms	€ thousand	33,904	33,963	28,015
Biomass/biogas plants	€ thousand	10,612	12,181	13,725
Cogeneration plants	€ thousand	6,799	10,162	10,783
Photovoltaic plants	€ thousand	150,573	161,969	175,358
hydroelectric power plants	€ thousand	68,421	68,074	59,976
% over total loans				
Wind farms	%	1.74%	1.70%	1.42%
Biomass plants	%	0.55%	0.61%	0.70%
Cogeneration plants	%	0.35%	0.51%	0.55%
Photovoltaic plants	%	7.75%	8.10%	8.90%
hydroelectric power plants	%	3.52%	3.40%	3.05%
Amount financed				
Wind farms	€ thousand	9,463	9,575	11,247
Biomass plants	€ thousand	1,929	0	1,261
Cogeneration plants	€ thousand	520	1,183	840
Photovoltaic plants	€ thousand	145	232	335
hydroelectric power plants	€ thousand	8,000	6,977	23,970
Number of projects financed				
Wind farms	Number	5	22	15
Biomass plants	Number	5	-	3
Cogeneration plants	Number	1	2	2
Photovoltaic plants	Number	3	3	1
hydroelectric power plants	Number	2	3	6

The *Agri Agro* segment also accomplishes the commitment undertaken by the Group to support the green economy, favouring the provision of services to counterparties that intend to start sustainable business in the agri-food production chains, such as biogas and renewable energy. Moreover, the cooperation agreement in force with Edison Energy Solutions resulted also in a joint action with the Agricultural sector on the dairy farms that are customers of the CAIBG, to finance cogeneration plants able to reuse production waste (heat) in order to product electric power.

In 2017, with the support provided by a specialist advisor, CALIT started an environmental due diligence activity on the property coming from terminated lease contracts. The objective of this activity was to detect, through physical and visual inspection, any environmental liabilities associated with the present or past use of materials that are hazards for the environment or for public health, such as materials that may contain asbestos (ACMs), Synthetic Vitreous Fibers (SVF), waste, etc. The survey entailed a reclamation intervention removing both the double layer concrete walls containing asbestos for a total area of 2,200sm, and the roofing that was made of a double layer of the same material for a total of 5,000sm.

The CAIBG combines its green products with several measures aimed at reducing any direct impact of its activity on the environment. Evidence of this commitment is given also by the interventions made on property in order to transform work places into ECO-offices. One of the objectives that the Group has set itself is a 10% reduction in emissions vs. 2015 by 2018, through some actions that were tried in the year, such as:

- Interventions to enhance energy efficiency of branches subsequent to their renovation, business transformation or new fittings (e.g. LED lighting, high-efficiency air conditioning);
- Installation of more efficient signs;
- Improvement in energy management, which at present is outsourced from an energy management service, along with the installation of about 200 systems for controlling and monitoring the branches' plants;
- Reduction in managed areas.

The optimization of the impact on the environment resulting from the performances of owned property included also the construction of the new Eco-buildings in the New Cavagnari complex that, from 2018, will house the headquarters of the CAIBG. All the systems at the New Cavagnari are up to a state-of-the-art standard in terms of innovative technologies, in order to achieve significant reduction in costs and environmental sustainability, evidence of which is the “Leed” certification (a US system for the classification of buildings’ energy efficiency and ecological footprint, which has been designed by the US Green Building Council). Specifically, the basic choices that were made as regards the “building/system” unit essentially regard the key points listed below:

- Energy saving;
- The new buildings in “energy performance class A”;
- The new buildings being “LEED GOLD”-certified;
- The use of geothermal heat pumps to produce heat carrier fluids, which result in estimated savings in terms of summer air conditioning and winter heating of 40% and 30%, respectively (amounting to about 80,000 kWe/year saved);
- Use of temperature control systems mainly based on the use of “radiant effect” technologies with radiant ceilings and islands;
- The use of “innovative air treatment devices” with enthalpic and thermodynamic recovery;
- High filtration degree and precise control of the hygrometric status and, thus, of “the quality of the air” circulating in the buildings;
- In summer, night ventilation in a “free cooling” mode;
- The use of systems with heat-carrier fluids at temperatures that are closer to the environmental ones and, thus, with low temperature gradient and high transfer yield;
- Dual outlet WCs, fed from a system for phyto-purification of waste water, which will result in an estimated amount of about 1000 cm/year of drinking water.

The photovoltaic plant installed on the roofing and on the car-park covering also contributes to the energy efficiency of the complex.

Materials used by weight or volume (301-1)		**2017**	**2016**	**2015**
Recyclable materials				
Paper	Kg	956,648	1,021,355	1,013,071
- of which recycled : (301-2)	Kg	850,509	875,688	902,102
- of which forms	Kg	93,102	129,978	102,572
Non-recyclable material				
Stationery	Kg	88,031	61,646	83,112
IT materials (especially toners)	Kg	33,463	34,256	35,232
Total	Kg	1,078,142	1,117,257	1,131,415
GHG fluids, R410a gas	Kg	2	0	0
GHG fluids, R407c gas	Kg	6	6	0

Energy consumption in the organization broken down by primary energy source(302-1)[(1)]		**2017**	**2016**	**2015**
Electric power	GWh	45	46	49
Natural gas	Thousands of cube metres m3	2,129	2,092	4,598
Self-produced electric power (photovoltaic power station, at Cavagnari day care)	MWh	184	150	135
Diesel fuel for heating	Gj	1,390	709	2,695
Diesel fuel for trucks	Gj	28,337	28,371	20,822
Petrol	Gj	295	542	427
District heating and district cooling	Gj	640.4	nd	nd
Total energy consumption	GJ	265,645.2	267,454.8	358,403.5

(1) This figure excludes consumption regarding the Group’s apartment buildings and, therefore, reports only 40% of its property.

CO2 emissions in the organization broken down by energy source Direct primary energy consumption (SCOPE 1)[(1)] – (G4-EN15)				
Electric power	tCO2	14,293	14,403	15,401
Natural gas	tCO2	4,211	4,137.98	9,021.28
Self-produced electric power (photovoltaic power station, at Cavagnari day care)	tCO2	0	0	0
Diesel fuel for heating	tCO2	102.1448061	52.166802	198.29271
Diesel fuel for trucks	tCO2	1,976.92	1,979.29	1,452.64
Petrol	tCO2	20.74	38.09718	30.01383
Total	tCO2	20,604	20,610	26,103
GHG fluids, R410a gas	tCO2eq	5	0	0
GHG fluids, R407c gas	tCO2eq	11	11	0

(1) For the calculation of emissions by primary energy source, ISPRA CO2 emission in the atmosphere as updated to 2017 were used

Total withdraw of water by source (303-1)				
Mains	Thousands of m^3	218	159	133
Total weight of waste by type (306-2)				
Non-hazardous waste	kg	876,943	112,848	330,946
Hazardous waste	kg	na	na	na

– This figure represents the estimate for CA Cariparma paper. The figure includes the following categories of waste: Bulky waste, packaging made of mixed materials, packaging made of paper and cardboard, mixed metals.

Occupational Health and Safety

In order to ensure higher protection to the people exposed to “robbery” and “break-in” risks, in 2017 the CAIBG adopted a new set of precautionary security measures, which can be summarized with the extraordinary interventions listed below:

- Extension of anti-intrusion electronic barriers along the existing perimeter to new Cariparma premises in the city of Naples and to Carispezia, in order to detect any attempted intrusion by criminals from the sewage system and/or neighbouring property;
- Installation of anti-robbery and anti-break-in security systems at the Group’s branches that were transformed into *Agenzia per Te* Branches;
- Installation of anti-explosion devices inside the Group’s ATMs that were exposed to higher risk;
- Revision of anti-robbery surveillance services for the Group as a whole after upgrading protections by implementing new electronic anti-robbery devices;

Rate of Injury (403-2)		2017	2016	2015
Total injuries in the year	Number	97	120	112
- of which women	Number	57	66	64
- of which men	Number	40	54	48
Injuries on the way to/from work	Number	70	84	74
Injuries at work	Number	27	36	38
Accident rate = (total number of accidents in the year / total hours worked) x 1,000,000//worked hours		7.92	9.74	9.1
Severity index (working days lost *1,000/worked hours)		0.20	0.25	0.2
Thefts and robberies				
Robberies	Number	12	9	17
Thefts	Number	5	0	3
Attempted thefts	Number	19	16	10
Total	Number	36	25	30

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Independent Auditors' Report

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Independent auditors' report on the consolidated disclosure of non-financial information pursuant to article 3, par. 10, of Legislative Decree of December 30 2016 n.254 and with article 5 of Consob Regulation n. 20267

(Translation from the original Italian text)

To the Board of Directors of
Crédit Agricole Cariparma S.p.A.

We have performed a limited assurance engagement pursuant to article 3, paragraph 10, of Legislative Decree of December 30, 2016, n. 254 (hereinafter, the "Decree") and article 5 of Consob Regulation n. 20267, on the consolidated disclosure of non-financial information of Crédit Agricole Cariparma S.p.A. (hereinafter the "Bank") and its subsidiaries (hereinafter the "Group" or "Crédit Agricole Italia Group") for the year ended December 31, 2017 in accordance with article 4 of the Decree and approved by the Board of Directors on March, 27 2018 (hereinafter, the "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI – Global Reporting Initiative (hereinafter, the "GRI Standards"), as illustrated in paragraph "Methodological Note and reading guide" of the DNF, identified by them as a reporting standard. .

The Directors are also responsible, within the terms provided by the law, for such internal controls as they determine as necessary in order to enable the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for the identification of the content of the DNF within the matters mentioned in article 3, paragraph 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for the definition of the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

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Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter, the "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, as well as documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant topics in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;

2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;

3. comparison of the economic and financial data and information included in the DNF with those included in the Group's consolidated financial statements;

4. understanding of the following aspects:

    - group's management and organization business model, with reference to the management of the topics indicated in article 3 of the Decree;
    - policies adopted by the Group related to the matters indicated in article 3 of the Decree, results achieved and related key performance indicators;
    - main risks, generated or suffered related to the matters indicated in article 3 of the Decree.

    With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below;

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF. In particular, we have conducted interviews and discussions with the management personnel of the Bank and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the function responsible for the preparation of the DNF.

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Furthermore, for significant information, considering the Group activities and characteristics:

- at Group level,
  a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
  b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for the following entities: Crédit Agricole Cariparma S.p.A., 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., which we have selected based on their activity and their relevance to the consolidated performance indicators, we obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Crédit Agricole Italia Group for the year ended December 31, 2017 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Other Information

The comparative data presented in the DNF for the year ended December 31, 2016 and December 31, 2015 have not been examined.

Milan, April 5, 2018

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.

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CONTACT DATA

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Share Capital: Euro 934,837,845 fully paid-in – Entered in the Business Register of Parma, Italy.
Tax ID and VAT No. 02113530345 Italian Banking Association ABI Code 6230.7 Entered in the Italian Register of Banks at No. 5435. Member of the Italian Interbank Deposit Protection Fund and of the Italian National Compensation Fund.
Parent Company of the Crédit Agricole Italia Banking Group entered in the Italian Register of Banking Groups At No. 6230.7 – The Company is subject to the management and coordination of Crédit Agricole S.A.

CRÉDIT AGRICOLE