2017

HALF-YEARLY CONSOLIDATED REPORT AS AT 30 JUNE //

CRÉDIT AGRICOLE
CARIPARMA | FRIULADRIA | CARISPEZIA

Crédit Agricole Italia Banking Group

Half-yearly Consolidated Report as at 30 June 2017

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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(*)

Marc Oppenheim(*)

Thierry Pomaret

Annalisa Sassi(°)

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

Board of Statutory Auditors

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Maria Ludovica Giovanardi

Stefano Lottici

Germano Montanari

ALTERNATE AUDITORS

Alberto Cacciani

Roberto Perlini

Senior Management

VICE GENERAL MANAGERS

Roberto Ghisellini

Olivier Guilhamon

MANAGER IN CHARGE OF THE PREPARATION OF CORPORATE ACCOUNTING DOCUMENTS

Pierre Débourdeaux

Independent Auditors

EY S.p.A.

THE CRÉDIT AGRICOLE GROUP
WORLDWIDE

1st Bancassurer in Europe

1st Asset Manager in Europe

138 thousand

Staff

52 million

Customers worldwide

THE CRÉDIT AGRICOLE GROUP
IN ITALY

3.2
billion

Euro worth
of revenues

3.5
million

Customers

132
billion

Customers' deposits and funds under management*

* ncluding "out-of-Group" Amundi AuM and CACEIS (Depositary and Custody Bank) assets.

12
thousand

Staff

64
billion

Loans to the Italian economy

CRÉDIT AGRICOLE GROUP ITALIA

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

Profile of the Crédit Agricole Italia Banking Group

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

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

RETAIL BANKING
791 Retail Branches + 45 Small Business Centers

PRIVATE BANKING
with 22 Private Banking markets

CORPORATE BANKING
with 21 mid-corporate markets and 1 large-corporate area

FINANCIAL ADVISORS
with 8 markets

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

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

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

CAPITAL SOUNDNESS AS AT 30 JUNE 2017: CET 1 11.1% (TOTAL CAPITAL RATIO 13.4%)

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.

606 points of sale

29.8 Bln€ worth of loans

76.8 Bln€ worth of total funding

CRÉDIT AGRICOLE FRIULADRIA

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

206 points of sale

7.2 Bln€ worth of loans

14.8 Bln€ worth of total funding

CRÉDIT AGRICOLE CARISPEZIA

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

100 points of sale

2.6 Bln€ worth of loans

6.7 Bln€ worth of total funding

CRÉDIT AGRICOLE LEASING

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

CRÉDIT AGRICOLE GROUP SOLUTIONS

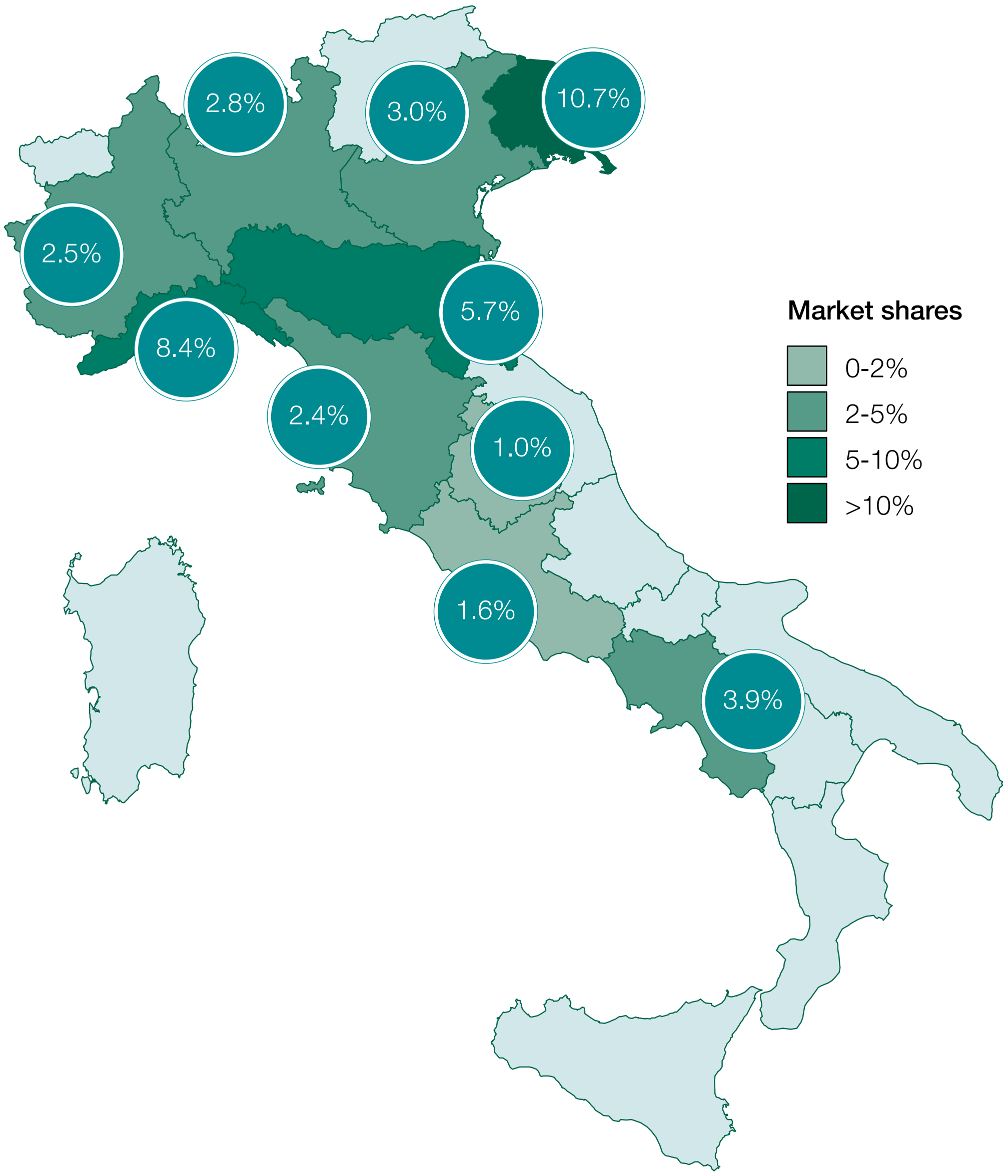
CAGS is the consortium company of the **Crédit Agricole Italia Banking Group** in charge of all activities relating to Operational Processes, Information Systems, Technical Logistics, Safety and Security, Business Continuity, Purchases and Real Estate Management, as well as Human Resources Administration.

912 points of sale

8,200 Employee

1,700,000 Customers

Lending and total funding as at 30 June 2017.



NOTES
- System data - source: Bank of Italy, branches of the Italian Banking System as at 31 December 2016
- Crédit Agricole Italia Banking Group data as at 30 June 2017

Consolidated financial highlights and ratios

Income Statement highlights(°) *(thousands of Euro)*	**30.06.2017**	**30.06.2016**	**Changes**	
			Absolute	**%**
Net interest income	461,948	471,592	-9,644	-2.0
Net fee and commission income	370,072	338,877	31,195	9.2
Dividends	8,401	8,569	-168	-2.0
Net income from banking activities	13,117	33,940	-20,823	-61.4
Other operating income (expenses)	12,012	5,845	6,167	
Net operating income	865,550	858,823	6,727	0.8
Operating expenses	-503,078	-487,005	16,073	3.3
Operating margin	362,473	371,818	-9,346	-2.5
Provisions for risks and charges	-7,009	-6,127	882	14.4
Impairment of loans	-152,217	-172,086	-19,869	-11.5
Net profit for the period	130,978	122,535	8,443	6.9

Balance Sheet highlights(°) *(thousands of Euro)*	**30.06.2017**	**31.12.2016**	**Changes**	
			Absolute	**%**
Loans to Customers	39,453,396	38,209,279	1,244,117	3.3
Net financial assets/liabilities held for trading	-8,435	-11,325	-2,890	-25.5
Financial assets available for sale	5,392,956	5,423,218	-30,262	-0.6
Investments held to maturity	2,243,942	–	2,243,942	100.0
Equity investments	-	10	-10	-100.0
Property, plant and equipment and intangible assets	2,387,070	2,407,321	-20,251	-0.8
Total net assets	51,884,386	48,516,208	3,368,178	6.9
Net due to banks	1,963,900	552,333	1,411,567	
Funding from Customers	41,184,719	39,892,679	1,292,040	3.2
Indirect funding from Customers	55,007,462	64,892,521	-9,885,059	-15.2
of which: asset under management	29,392,796	28,147,666	1,245,130	4.4
Equity	5,085,276	5,081,710	3,565	0.1

Operating structure	**30.06.2017**	**31.12.2016**	**Changes**	
			Absolute	**%**
Number of employees	8,203	8,269	-66	-0.8
Average number of employees(§)	7,796	7,827	-31	-0.4
Number of branches	791	815	-24	-2.9

(°) Income statement and balance sheet data are those restated in the reclassified financial statements shown on pages 42 and 47.

(§) 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(°)	30.06.2017	31.12.2016
Loans to customers/Total net assets	76.0%	78.8%
Direct funding from Customers/Total net assets	79.4%	82.2%
Asset management/Total indirect funding from Customers	53.4%	43.4%
Loans to Customers/Direct funding from Customers	95.8%	95.8%
Total assets/Equity	11.0	10.4

Profitability ratios(°)	30.06.2017	30.06.2016
Net interest income/Net operating revenues	53.4%	54.4%
Net fee and commission income/Net operating revenues	42.8%	41.4%
Cost (*)/income ratio	56.0%	56.3%
Net profit/Average equity (ROE)(a)	5.2%	4.2%
Net profit/Average Tangible Equity (ROTE)(a)	8.2%	6.7%
Net profit/Total assets (ROA)	0.5%	0.4%
Net profit/Risk-weighted assets	1.1%	0.9%

Risk ratios(°)	30.06.2017	31.12.2016
Gross bad debts/Gross loans to Customers	7.1%	7.2%
Net bad loans/Net loans to Customers	3.1%	3.2%
Impairment of loans/Net loans to Customers	0.8%	0.8%
Cost of risk(b)/Operating margin	43.9%	49.6%
Net bad loans/Total Capital(c)	37.8%	38.2%
Net non-performing loans/Net loans to Customers	6.9%	7.6%
Impairment of non-performing loans/Gross non-performing loans	44.2%	42.2%

Productivity ratios(°) (in income terms)	30.06.2017	31.12.2016
Operating expenses/No. of Employees (average)	130.1	135.5
Operating income/No. of Employees (average)	223.9	218.8

Productivity ratios (in financial terms)	30.06.2017	31.12.2016
Loans to Customers/No. of Employees (average)	5,061	4,882
Direct funding from Customers/No. of Employees (average)	5,283	5,097
Gross banking income (f)/No. of employees (average)	17,400	18,269

Capital ratios	30.06.2017	31.12.2016
Common Equity Tier 1(d)/Risk-weighted assets (CET 1 ratio)	11.1%	11.4%
Tier 1(e)/Risk-weighted assets (Tier 1 ratio)	11.7%	11.8%
Total Capital(c)/Risk-weighted assets (Total capital ratio)	13.4%	13.3%
Risk-weighted assets (Euro thousands)	24,134,528	24,129,855

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements shown on pages 42 and 47. For the above performance measures, the ESMA Guidelines issued on 5 October 2015 and in force since 3 July 2016.

(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

(*) Net of contributions to the Solidarity Fund and of ordinary/extraordinary contributions to Deposit Guarantee Schemes (DGS) and to the Single Resolution Fund (SRF) amounting to Euro 18.4 million

Interim Report on Operations

THE MACROECONOMIC SCENARIO AND THE FINANCIAL SYSTEM

INTERNATIONAL MACROECONOMIC SCENARIO IN THE FIRST HALF OF 2017[1]

The world economy has finally got over the financial crisis, despite some uncertainties in 2016 and has started on a path towards **consolidation of growth**.

In the last few months, there have been some **positive signals in the international scenario**. Economic indicators continue to confirm an expansionary phase. Industrial production is increasing especially in developed countries and world trade has gained momentum in both developed and emerging countries, with growth rates of over 4% since the beginning of the year, figures that had not been recorded since 2011. The recovery in commodity prices since the beginning of 2016 has revived emerging countries. Specifically, trade growth has been driven by imports and by Chinese exports of commodities, partly due to the increase in public sector investments and to the hoarding of commodities. Along with the improvement in foreign demand, the world economy is growing at a pace exceeding expectations, thanks also to private and public consumption. Deflation has significantly decreased, especially for the EMU, whereas, in Brazil and Russia, inflation is quickly coming in line with the central banks' objectives.

However, **some elements of uncertainty** have remained, caused by the international geopolitical situation. In the United States, a less expansionary budgetary policy and possible restrictive measures could cause repercussions on world trade growth. Uncertainty continues also in the EMU area, mainly due to the political and institutional situation, while the recovery of inflation, on the one hand, drives investments and, on the other, generates negative effects on household spending.

Therefore, the world economic cycle is overall consolidating, despite the decrease in the economic growth of the USA vs. the period after elections.

Monetary policies

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

- In June 2017, the **Fed** increased the interest rate by 0.25 points, taking it to a 1-1.25% range, after the increase made in March (before, interest rates had already been increased twice, in December 2015 and in December 2016). Moreover, the Fed announced that it does not intend to change the scheduled action on interest rates, with another increase in 2017 and three increases in 2018 and 2019.
- The **European Central Bank** has continued its expansive monetary policy, confirming its **Expanded Asset Purchase Programme** throughout 2017 for an amount that was Euro 80 billion a month and that, subsequent to a reversal in the inflation trend, was decreased to Euro 60 billion a month starting from April 2017. Moreover, the ECB has carried out long-term refinancing operations **(TLTROs-II)**, which have been implemented since June 2016 with maturity in 2021 and has made no changes to the **rates on main refinancing operations (MROs)** keeping them at 0% nor to the **deposit facility rate** keeping it at -0.40%.

(1) Source: Forecast Report (July 2017)

Main economies

The **gross world product is expected to increase over the entire 2017 by +3.3%**, progressively improving vs. 2016 (up by +2.9%). Performances have continued to be uneven in the various geographical areas[(2)], with more marked differences within emerging economies:

- The **United States** are showing a slowdown in their growth: in the first quarter of 2017, the US GDP posted an annualized quarterly increase of +1.2%, down vs. the previous quarter (+2.1%); the general improvement in investments has been the main driver of growth, together with household consumption spending and net exports, whereas stockpiles gave a negative contribution. As to the labour market, in May the unemployment rate decreased by one tenth to 4.3%, whereas the employment rate decreased from 60.2% to 60%;
- In March, the economy of **China** increased by +6.9% YOY; for the first time after six quarters, the contribution of net real exports returned positive, public sector investments and the hoarding of commodities increased;
- In the first quarter of 2017, the GDP of **India** increased by +6.1%, down vs. a +7% increase in the previous quarter;
- The economy of **Brazil** decreased for the twelfth consecutive quarter, down by -0.4%, but, in spite of recession, consumer prices increased;
- The situation of **Russia** improved, in the fourth quarter of 2016 the GDP increased for the first time after 7 quarters;
- The economy of the **United Kingdom**, with its GDP increasing by +0.2% quarter on quarter, has shown a slowdown in consumption due to high inflation and modest increases in pays.

EURO AREA

In the **Euro Area**[(3)] growth continues to consolidate. In the first quarter of 2017, the GDP grew at a faster rate, **increasing by +2.3% on an annualized quarterly basis**, improving vs. the +2% rate recorded in the fourth quarter of 2016.

The acceleration in the GDP growth was mainly due to the improvement in the foreign trade contribution. The growth in domestic demand exceeded expectations, thanks to more appreciable recovery in investments, expansionary economic policies and favourable financial conditions. Consumption was driven by the increase in households' disposable income, ongoing also in the first months of 2017, thanks to the development in pays.

Overall, in April, there were positive signals: industrial production increased (up by +0.5% YOY), retail sales posted a slight increase (+0.1% YOY), as did consumer prices, and the Business Confidence index improved, even though Consumer confidence was still poor.

In the Euro Area, growth has been uneven, with **Germany** posting a +2.4% increase in its GDP on an annualized quarterly basis (+1.7% in the previous quarter), and **France** growing at a slower rate, up by +1.8% only (vs. +1.9% in the previous quarter).

(2) Source: ABI Monthly Outlook
(3) Source: ABI Monthly Outlook

THE ITALIAN ECONOMY

In the first quarter of 2017 the **Italian GDP increased by 0.4% vs. the previous quarter**[4], confirming its recovery that started in 2015 and continued in 2016. Growth has been confirmed also by several macroeconomic indicators, even though some elements of uncertainty remain, mainly due to political instability and high public debt.

Domestic demand gave a positive contribution (+0.3 p.p.) to the growth in the GDP, whereas the contribution of net foreign demand was negative (-0.2 p.p.), with imports increasing (+1.6%) more than exports (+0.7%).

The Italian **domestic demand** benefited from the increase in **consumption**, which was up by 0.5% driven by higher spending of consumer households (+0.6%), who, in their turn, benefited from an increase in their **disposable income and purchasing power**, up, in the first quarter of 2017, by 1.5% and 0.8%, respectively, vs. the previous quarter.

Also the **public administration** gave a contribution to the growth in consumption (+0.5%) and generated positive signals in terms of lower weight on the GDP of both net debt (coming to 4.3% down by 0.6% YOY) and of the primary balance (down by -0.8% YOY).

The **Consumer Confidence index** came again to satisfying levels, despite the decrease in the first months of the year, which was partially offset by the increase posted in June (106.4 vs. 105.7 in May 2017). The **Business Confidence index** improved considerably, after stabilizing at the end of 2016, and it continued to grow in the first months of 2017, with the index coming in June to 106.9 (vs. 100.5 in December 2016), mainly driven by the manufacturing and building industry.

Investments slowed down, thus interrupting the growth phase that stated in the third quarter of 2014. The decrease in investments was mainly due to lower spending for machinery, equipment and other products, as well as for means of transport, whereas investments in buildings increased.

In April 2017, the **industrial production** increased by +1.0%[5]on an annual basis. All segments showed trend growth: consumer goods (+2.2%), energy (+2.1%) and, to a lesser extent, intermediate goods (+0.7%) and capital goods (+0.6%). The economic activity sectors that increased the most are the extraction industry, textile manufacturing, clothing, leather and accessories manufacturing and supply of electrical energy, gas, steam and air.

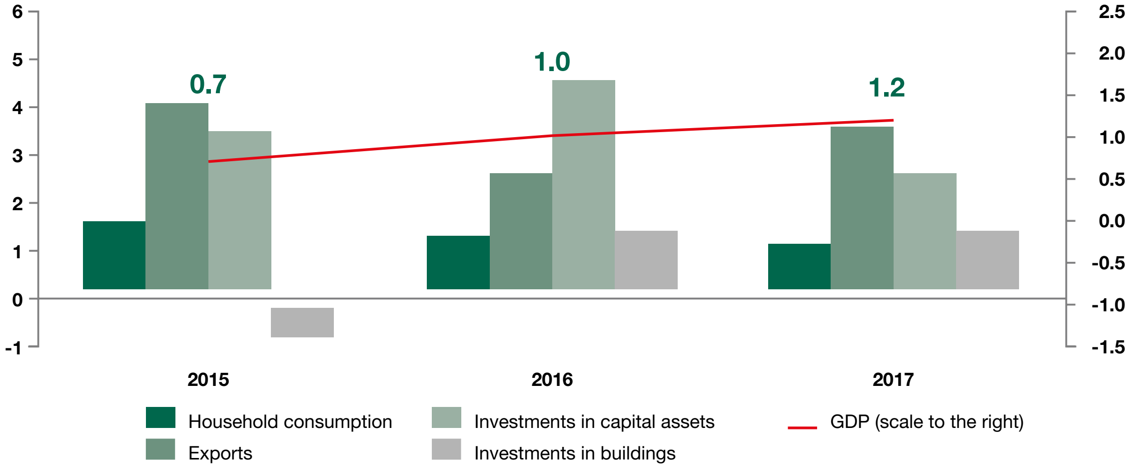
In June 2017, **consumer prices**[6] increased by 1.2% vs. June 2016. On an annual basis, the growth in prices of goods slowed down, whereas the growth rate of prices of services increased, coming, in June, to a positive inflation differential between services and goods (+0.6%).

As regards the labour market, in May 2017 the **unemployment rate**[7] was 11.3%, decreasing by 0.3% on an annual basis. The number of unemployed people decreased (down by -1.8% YOY; i.e. down by -55 thousand). The weight of young unemployed between 15 and 24 years of age over the total number of individuals in the same age group was 9.4% (that is to say, less than one out of ten is unemployed), decreasing vs. the same figure for the previous year (9.7%). Positive signals came also from the **employment rate**, which, in May, came to 57.7%, increasing vs. the previous year (57.3%).

(4) Source: ISTAT (the Italian National Institute of Statistics) Monthly Report on the Italian economy (May 2017).
(5) Source: ISTAT (the Italian National Institute of Statistics) Industrial Production (April 2017)
(6) Source: ISTAT (the Italian National Institute of Statistics), Consumer Prices (May 2017)
(7) Source: ISTAT (the Italian National Institute of Statistics) Employed and Unemployed (July 2017)

Based on the first data for 2017, expectations on the Italian economy for the rest of the year are improving, as proved by the revision upward of the Italian GDP for 2107 by several bodies: the International Monetary Fund and Confindustria (the main organization representing Italian manufacturing and service companies) have forecast a +1.3% increase, while the OECD and the Bank of Italy an increase of 1%. Prometeia has also revised the GDP forecast upward to +1.2%, estimating the highest growth rate since 2010.

Italy: GDP and its components



Source: Prometeia, Forecast Report – July 2017.

THE BANKING SYSTEM

After the several actions implemented in 2016 in order to strengthen and stabilize the banking system (the creation of Italy's backstop fund for banks, Atlante, state guarantees on securitization of non-performing loans (Italian acronym Gacs), the Banks Decree and the "save-savings" Decree), in the first months of 2017, the first signs of recovery arrived: loans to customers showed some recovery, net bad loans decreased, as did the cost of credit, and profitability posted a slight increase, even though remaining at low levels, also due to market rates still at their all-time low (in May 2017 3M Euribor was -0.33%).

Moreover, subsequent also to some difficult situations, in the last few months the merger and acquisition process in the Italian banking system has considerably progressed, with both the finalization of some transactions, some of which were started in 2016, and the continuation of other initiatives. Specifically:

- The new Banco BPM resulted from the merger between Banco Popolare and Banca Popolare di Milano
- UBI purchased Nuova Banca Marche, Nuova Banca Etruria and Nuova Carichieti
- Effective since 30 June 2017, BPER purchased Nuova CariFerrara
- IntesaSanpaolo purchased some assets and liabilities of Veneto Banca and Banca Popolare di Vicenza
- The reform of Italy's cooperative banks has entailed the grouping of over 300 cooperative banks under the control of a Holding/Parent Company and such cooperative banks shall be required to comply with certain capital requirements; after the completion of the pre-accession process, the expected scenario will feature the incorporation of two banking holding companies: Iccrea and Cassa Centrale Banca.

Moreover, the **€8.3 billion recapitalization of MPS** is being finalized; €6.6 billion worth of stocks will be subscribed by the Italian State that, with this transaction, will become the bank's majority shareholder with an equity investment of about 70%. In order to limit the use of public money and in accordance with the burden sharing principle, the bank's junior bondholders and shareholders shall contribute to the costs of its restructuring. A key element of the plan for the restructuring of MPS is the disposal of a €26 billion non-performing loan portfolio, on which an agreement was reached with the Atlante Fund.

FINANCIAL AND CREDIT MARKETS[8]

In the banking system, the implemented monetary policies supported the performances of money and credit supply:

- **Loans to households and businesses** improved, increasing, in May 2017, by +0.3% on an annual basis. Total **loans to households** increased (in April 2017: up by +2.4% YOY), driven by the recovery in the **mortgage loan market. Loans to businesses** also increased (in April 2017: up by +0.2% YOY), mainly driven by a stronger demand and more favourable conditions to access credit, which led to an increase, albeit a modest one;
- **Interest rates on loans** to customers decreased even further. In May 2017, the average interest rate on total loans was 2.79%, a new all-time low (3.09% in May 2016; 6.18% at the end of 2007); meanwhile, the **average rate on new home loans** came to 2.12% (2.25% in May 2016) and that on **new loans to businesses** came to 1.56% (1.78% in May 2016);
- In May 2017, **direct funding** (deposits from resident customers and bonds) came to €1,714 Bln, increasing by approximately €4.2 billion vs. the previous year, up by +0.2%. Funding increased by €165 billion if compared with the figures reported at the beginning of the crisis – i.e. at the end of 2007 – for an amount of approximately Euro 1,549 billion. The breakdown of funding by component shows the different weight of short- and medium/long-term forms: deposits from customers 82% (vs. 66% at the end of 2007) and bonds 18% (vs. 34% at the end of 2007). It is worth noting the progressive recomposition towards deposits, with a lower bond component, which, in May 2017, decreased by -14.5% YOY, while deposits increased (up by +4.3% YOY), as did asset management products that are more profitable for customers in a scenario of all-time low interest rates;
- The **average interest rate on funding** was 0.95% in May 2017 (1.10% in May 2016). The interest rate on deposits came to 0.40% (vs. 0.46% in May 2016) and that on bonds came to 2.69% (vs. 2.90% in May 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 May 2017 it came to 184 basis points; Before the financial crisis, this spread was higher than 300 basis points. In 2016, on average, this spread was 198 basis points (vs. 211 in 2015);
- As regards the **asset management industry**[9], in May 2017, the system reported Euro 48 billion worth of net funding since the beginning of the year. Assets have reached a new all-time high of €2,005 billion. The true drivers of funding have been open-end funds which posted Euro 36 billion worth of flows. Investors have been moving especially towards bond products (up by Euro +11 billion), balanced products (up by Euro +5.8 billion) and flexible products (up by Euro +4.5 million). The introduction of the so-called Individual Saving Plans (*Piani Individuali di Risparmio* or PIR) resulted, based on the first data, from January to the end of March, in Euro 1.1 billion worth of funding;
- As regards credit quality, the overall stock of **bad loans** has continued, also thanks to the sale transactions made. In April 2017, net bad loans came to Euro 77.2 billion, decreasing by over 13% vs. the peak of Euro 89 billion reached at the end of November 2015 and by -11% vs. December 2016. The weight of net bad loans on total loans came to 4.42% in April 2017, decreasing from 4.89% recorded at the end of 2016;
- In terms of performance, after the considerable losses reported in the second half of 2016 resulting from the recognition of material non-recurring effects, in the first quarter of 2017 **the Italian banking industry generated profits, showing encouraging signs**

(8) Source: ABI Monthly Outlook
(9) Source: Assogestioni (the Italian National Association of Asset Management Firms), Asset Management Monthly Map, May 2017

of recovery in profitability, even though in a scenario where further rationalization actions on the industry are expected, non-performing loans are to be disposed of, efficiency must be improved and some crises are to be solved. In 2017 the system is expected to generate profits thanks to an increase in net interest income and in net fee and commission income and, especially, thanks to the decrease in adjustments of loans and to the contribution of significant non-recurring income from disposals of equity investments and assets by some banking groups, aimed at capital strengthening.

OPERATING PERFORMANCE

In a quite complex economic and regulatory scenario, affected by several uncertainty factors, also in the first half of 2017, the Crédit Agricole Italia Banking Group proved once again able to achieve significant business performances and to improve its profitability even further. Total intermediated assets came to over Euro 135 billion, increasing by 2% vs. the end of 2016[10].

Specifically, loans to customers increased (up by +3.3% vs. December 2016), substantiating the constant support to the economy provided by the Group.

In terms of profitability, the Crédit Agricole Italia Banking Group achieved a net income of Euro 131 million. This figure also includes the contribution of the Single Resolution Fund (SRF), the impacts generated by actions carried out and planned ones on Banks experiencing difficulties (Banca Popolare di Vicenza and Veneto Banca) and the portion accruing in the period of the expenses for possible acquisitions underway.

THE PERFORMANCE OF BALANCE SHEET AGGREGATES

The changes occurred in the first six months of 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.

As at 30 June 2017, loans to Customers came to Euro 39.5 billion, increasing by +3.3% in the first six months of the year. This performance has been driven by both mortgage loans, which came to Euro 23.4 billion (especially home loans to households - with over 11,900 new loans since the beginning of the year, up by +7% vs. the first half of 2016) and other loans (intended for support to businesses, with loans to the economy up by +6%). 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).

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 last half-year (from 12.4% to 11.7%) – also thanks to the lower number of positions that became non-performing – and, concomitantly, an increased coverage ratio (up from 42.2% to 44.2%). In full compliance with the annual plan for the sale of NPLs, in June a transaction was finalized for the bulk-sale of non-performing mortgage loans on a non-recourse basis for a gross amount of approximately Euro 65 million. In the half year, total sales of NPLs, including the bulk-sale finalized in June, came to approximately Euro 100 million.

Moreover, it is reported that, other sales were being finalized for approximately Euro 96 million worth of gross exposure.

(10) Underlying figure in order to take account of assets under administration regarding a specific position, due to technical requirements of the counterparty

These disposal transactions aim at decreasing the overall stock of non-performing loans and fall within the scope of a wider strategy for the liquidation of non-performing loans, by structuring a competitive bidding process among investors that are specialized in this asset type, and by getting the relevant cash flows earlier than with ordinary loan collection management.

As regards the subsidiary Crédit Agricole Leasing, it is reported that a transaction is currently being negotiated for the block-sale of a portfolio of properties previously under lease agreements and repossessed by the lessor, having a gross value of approximately Euro 93 million.

Giving evidence of the customers' trust in the Crédit Agricole Italia Banking Group, assets under administration (Euro 96 billion as at 30 June 2017) increased (net of the effect generated by an outgoing account of Euro 10 billion) by Euro 1.4 billion vs. the end of 2016 (up by +1.5%), driven by both the direct funding component (up by +3.2%, +1,292 million of Euro over the six-month period) and by the indirect funding component (up by +0.2%, +115 million of Euro).

The development in direct funding (which, as at 30 June 2017, came to Euro 41.1 billion) was driven by current accounts whose balances increased to Euro 30.4 billion (up by Euro +1.7 billion vs. the end of 2016, i.e. +6%), 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 1.5 billion worth of covered bonds; at the same time, unsecured debentures decreased (down by -0.3 billion Euro): the scenario of low interest rates has been leading customers to opt for products with possible higher returns, especially asset management products.

At the end of the reporting period, indirect funding came to Euro 55 billion, slightly increasing vs. the end of 2016 (up by +0.2%), net of the effect generated by an outgoing account of Euro 10 billion as mentioned above. Within this aggregate, the weight of asset management increased (up by +1.2 billion Euro, i.e. up by +4.4% vs. the end of 2016). The asset management segment posted an increase in both its components: wealth management and insurance products, substantiating customers' preference for these forms of investment. Specifically, wealth management increased by Euro 0.6 billion (up by +4.5%), coming to Euro 13.9 billion, while insurance products came to Euro 15.5 billion, increasing by 4.3%. Assets under administration decreased (down by -4.2% net of the above-mentioned position that was transferred out).

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 5.4 billion (down by Euro -30 million vs. December 2016) and equity investments (down by -13 million Euro).

It is reported that a portfolio of Government Securities (amounting to approximately Euro 2 billion), which was acquired in 2017, has been recognized under investments held to maturity. This transaction, aimed at supporting the net interest income, was carried out with several tranches, in order to seize the best opportunities on the market. These securities, maturing in 2021 and acquired with a back-to-back financing arrangement at fixed rate, have been recognized under item 50 of Assets, in accordance with the Group's intention to hold the investment to maturity.

Equity, including the profit for the year, came to over Euro 5 billion, in line with the end of 2016.

Capital soundness again proved adequate, with the Common Equity Tier 1 Ratio at 11.1% (stable vs. 31 December 2016 – risk-weighted assets were stable, in spite of the increase in lending) and the Total Capital Ratio at 13.4%, with more than satisfying liquidity, substantiated by the LCR coming to 144%.

PROFIT OR LOSS

The performance for the first half of 2017 refers to the Group perimeter that consists of Crédit Agricole Cariparma S.p.A. (Parent Company), Crédit Agricole FriulAdria S.p.A., Crédit Agricole Carispezia S.p.A., Crédit Agricole Leasing Italia S.r.l., Crédit Agricole Group Solutions S.c.p.A., of the special-purpose entities Crédit Agricole Italia OBG S.r.l., Italstock S.r.l., Mondo Mutui Cariparma S.r.l. and Sliders S.r.l. that have been consolidated on a line-item basis.

Net interest income

In a scenario featuring still modest economic growth and interest rates still negative, net interest income came to Euro 462 million, in line with the previous financial year (-2.0%). This decrease was mainly due to intermediation activities with Customers, especially the changes in spreads. As regards loans, competitive pressure has caused progressive reduction in spreads, both on newly issued ones and on existing ones (renegotiations), with a negative effect on net interest income, which was only partially mitigated by the increase in volumes (especially mortgage loans). The contribution of funding from Customers to net interest income, even though benefiting from the decrease in the cost of forms with longest maturities (thanks to 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).

The contribution of finance activities also decreased, due to lower revenues from proprietary security portfolio (especially because of the performance of market rates) and due to the need to use its excess liquidity, which were only partially offset by the positive contribution of interest income from TLTROs.

Dividends

Dividends from shareholdings and equity investments recognized as financial assets available were stable YOY (Euro 8.4 million as at 30 June 2017).

Net fee and commission income

Net fee and commission income, which accounts for 43% of operating income (39% in the first half of 2016), came to Euro 370 million, significantly increasing YOY (up by +9%): the decrease in fee and commission income from commercial banking activities (down by -9%) was almost fully offset by the increase in fee and commission income from management, intermediation and advisory services (up by +25%). 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 Assurance and CA Vita - for the insurance business).

The contribution of fee and commission income from commercial banking activities decreased, mainly due to the decrease in fees and commissions for loan application processing and to lower charges for account management.

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

Other operating income (expenses)

Other net operating revenues came to Euro 12 million, increasing vs. the first half of 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 Crédit Agricole 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), of the equity investment recognized subsequent to the contribution to the Voluntary Intervention Scheme (Italian Interbank Deposit Guarantee Fund - *Fondo Interbancario di Tutela dei Depositi* - FITD) for the intervention on CR Cesena (-2 million).

Operating expenses

Operating expenses came to Euro 503 million, increasing by Euro 17 million (up by +3.6%) vs. the first half of 2016. This increase resulted from both higher contributions to the Single Resolution Fund (SRF) and, more in general, from systemic interventions on Italian Banks experiencing difficulties (Euro 7.5 million as at 30 June 2017 – essentially regarding the contribution provided for by the plan for the rescue of Banca Popolare di Vicenza and Veneto Banca), as well as from the costs for possible acquisitions currently underway (another Euro 2.5 million). Net of the above non-operating components, operating expenses increased by +3%; specifically:

- **Staff expenses:** They were in line with the first half of 2016 (+1%), subsequent to the pay increase provided for the applicable Italian national collective bargaining agreement, which was only partially offset by the terminations through the Redundancy Fund allocated in 2016 (such terminations were effective from April);
- **Other administrative expenses:** Net of the non-operating components mentioned above, other expenses increased by +1.9% because of higher costs supporting the Medium Term Plan;
- **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. the first half of 2016 (+4%).

Net of non-recurring (incentives for voluntary redundancy) and non-operating expenses (Single Resolution Fund, Deposit Guarantee Scheme, Bank and Small Investors Rescue Scheme), the cost/income ratio came to 56%, slightly increasing vs. the previous year (+0.5%).

In 2017 provisions for risks and charges came to Euro 7 million (vs. Euro 6 million in the first half of 2016) and mainly reflected disputes in which the Group is the defendant.

The continuous decrease in the cost of credit was one of the key factors for the good performance of the Group also in the first half of 2017: indeed, net value adjustments of loans came to 152 million, down by -12% vs. the same figure for the first half of 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) remained stable vs. the previous year, even with an increased coverage ratio of non-performing loans.

Profit before taxes on continuing operations came to Euro 203 million, increasing vs. 30 June 2016 by Euro 9.4 million.

Current and deferred taxes came to Euro 65 million, in line with the first half of the previous year.

The profit for the period (coming to Euro 131 million) increased vs. the same figure for the first half of 2016 (up by +7%).

Comprehensive income consists of the profit for the period and of the changes in assets directly recognized in equity reserves. Comprehensive income for the reporting period came to Euro 132 million vs. Euro 64 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 physiological volatility that must be taken into account when analyzing the table on page 46.

Tax-related disputes

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 these disputes

In 2014, a dispute started, again on registration taxes and based on the same grounds, regarding a transaction for the acquisition of branches, carried out in 2011, once again with the Intesa Sanpaolo Group. This dispute entails a request to pay taxes for a total amount of approximately Euro 13.5 million, plus interest. The competent Courts of first instance issued favourable decisions which were appealed against by the *Agenzia delle Entrate*. The competent Court of second instance issued favourable decisions acknowledging the lawfulness of the Group's conduct in the Carifirenze and Cariveneto transactions. As regards the transaction with Intesa San Paolo, the hearing before the competent Court of second instance has not yet been scheduled. Again in regard to such transactions, in March 2016 other verification notices were served concerning the recalculation of the business unit value for a total of Euro 2.1 million. The remarks set forth above cannot but apply also to these latter disputes; therefore, the Banks have promptly filed appeal and no provision has been allocated for such disputes.

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 taxpayers that took out floating-rate mortgage loans for the purchase of their main home, amounting to the interest paid by the same taxpayers 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, in July 2016, an appeal was filed with the competent Court of second instance, against which the *Agenzia delle Entrate* submitted its counter-arguments. To date, the hearing before the Court of second instance has not yet been scheduled.

As regards Crédit Agricole Carispezia, in 2016, the *Agenzia delle Entrate* filed appeal against the second instance judgement, which was in favour of the Bank, on the dispute concerning registration taxes for an amount of approximately Euro 0.6 million regarding the tax rate applicable to the purchase of a business unit made in 2006 by Carifirenze, at the time Carispezia's Controlling Company. In March 2017, the Italian Court of Cassation pronounced the appeal filed by *Agenzia delle Entrate* inadmissible and sentenced the appellant to pay all the relevant expenses.

In the second half of 2016, the *Agenzia delle Entrate* carried out two general tax audits, one on Crédit Agricole FriulAdria and one on Crédit Agricole Carispezia, both concerning the 2013 tax year and both closed with the service of two Reports of Verification (Italian *Processo Verbale di Constatazione* or PVC).

It is pointed out that a Report of Verification is not an actual assessment deed. The maximum amount at risk for Crédit Agricole FriulAdria could be estimated in about Euro 1 million and, for Crédit Agricole Carispezia, in about Euro 0.7 Mln plus interest, in case the dispute has unfavourable outcomes for all the claims put forward in the respective Reports of Verification. However, the arguments supporting the lawfulness of the Banks' conducts are deemed well-grounded, as are the arguments for the reduction of the claimed amount. Also based on the above and considering that, overall, the claimed amounts would not be significant for the Banks, no provision has been recognized for the above disputes. To date, the matter is being discussed with the *Agenzia delle Entrate*.

In the first half of 2017, a new tax audit started on Crédit Agricole Friuladria. This audit focuses on the recognition on an accrual basis of some expenses for professional services regarding the collection of credit claims and the compliance with the "Inherence requirement" for deductibility of some expenses for the defence of employees within criminal proceedings.

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.

It cannot but be reasserted once again that the Bank and its Management are constantly focused on this matter, also in order to respond to and implement the many and important recommendations that the competent authorities (national and international) issue in this regard. 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 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.

DIVIDENDS DISTRIBUTED BY THE PARENT COMPANY IN THE HALF-YEAR

The Parent Company's net profit for 2016 amounted to Euro 205,021,525. In the first half of 2017, in line with the resolution approved by the General Meeting of Shareholders held on 27 April 2017, the Parent Company Crédit Agricole Cariparma S.p.A. allocated this amount as follows:

5% to the legal reserve	**10,251,076**
To the charity fund	**1,300,000**
To the Shareholders	**116,784,648**
To extraordinary reserve	**76,685,801**

The dividend was paid on 5 May 2017, at Euro 0.13320 for each one of the 876,761,620 ordinary shares.

Crédit Agricole Italia Banking Group

Interim Condensed Consolidated Financial Statements

Financial Statements

CONSOLIDATED BALANCE SHEET

Assets		30.06.2017	31.12.2016
10.	Cash and cash equivalents	184,227	223,966
20.	Financial assets held for trading	74,984	91,810
30.	Financial assets designated at fair value	-	-
40.	Financial assets available for sale	5,392,956	5,423,218
50.	Investments held to maturity	2,243,942	-
60.	Loans to banks	3,727,896	4,383,986
70.	Loans to Customers	39,453,396	38,209,279
80.	Hedging derivatives	654,695	749,490
90.	Fair value change of financial assets in macro-hedge portfolios (+/-)	18,720	8,810
100.	Equity investments	-	10
110.	Reinsurers' share of technical provisions	-	-
120.	Property, plant and equipment	517,442	519,140
130.	Intangible Assets	1,869,628	1,888,181
	of which: goodwill	1,575,536	1,575,536
140.	Tax assets	975,263	1,087,730
	(a) current	199,821	319,298
	(b) deferred	775,442	768,432
	b1) pursuant to Italian Law No. 214/2011	686,359	686,948
150.	Non-current assets held for sale and discontinued operations	-	-
160.	Other assets	574,117	406,384
Total assets		**55,687,266**	**52,992,004**

Liabilities and Equity		30.06.2017	31.12.2016
10.	Due to Banks	5,691,796	4,936,319
20.	Due to Customers	32,373,907	31,136,638
30.	Debt securities issued	8,810,812	8,756,041
40.	Financial liabilities held for trading	83,419	103,135
50.	Financial liabilities designated at fair value	-	-
60.	Hedging derivatives	758,854	748,527
70.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	413,227	550,874
80.	Tax liabilities	161,298	200,227
	(a) current	72,314	114,253
	b) deferred	88,984	85,974
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
100.	Other liabilities	1,795,095	932,931
110.	Employees' severance benefits	139,488	146,378
120.	Provisions for risks and charges	170,405	193,326
	(a) Post-employment benefits	18,282	19,045
	b) other provisions	152,123	174,281
130.	Technical reserves	-	-
140.	Valuation reserves	-14,392	-13,429
150.	Redeemable shares	-	-
160.	Equity instruments	200,000	200,000
170.	Reserves	1,160,511	1,078,826
180.	Share premium reserve	2,735,462	2,735,462
190.	Share capital	876,762	876,762
200.	Treasury shares (+/-)	-4,045	-4,035
210.	Equity attributable to minority interest	203,689	205,898
220.	Profit (loss) for the period	130.978	208.124
Total liabilities and shareholders' equity		**55,687,266**	**52,992,004**

CONSOLIDATED INCOME STATEMENT

Items		30.06.2017	30.06.2016
10.	Interest income and similar revenues	508,990	548,862
20.	Interest expenses and similar charges	(73,732)	(109,715)
30.	**Net interest income**	**435,258**	**439,147**
40.	Fee and commission income	377,760	337,581
50.	Fee and commission expenses	(17,230)	(13,609)
60.	**Net fee and commission income**	**360,530**	**323,972**
70.	Dividends and similar revenues	8,401	8,569
80.	Net profit (losses) on trading activities	10,025	4,969
90.	Net profit (losses) on hedging activities	(4,901)	(1,331)
100,	Profit (losses) on disposal or repurchase of:	(16,578)	24,130
	a) loans	(21,113)	(4,449)
	b) financial assets available for sale	5,474	29,734
	c) Investments held to maturity	-	-
	d) financial liabilities	(939)	(1,155)
110.	Net profit (losses) on financial assets and liabilities designated at fair value	-	-
120.	**Net interest and other banking income**	**792,735**	**799,456**
130.	Net losses/recoveries on impairment of:	(104,120)	(130,196)
	a) loans	(96,792)	(130,656)
	b) financial assets available for sale	(6,092)	(39)
	c) investments held to maturity	-	-
	d) other financial activities	(1,236)	499
140.	**Net income from banking activities**	**688,615**	**669,260**
150.	Net premium income	-	-
160.	Balance of other revenues/expenses from insurance operations	-	-
170.	**Net income from banking and insurance activities**	**688,615**	-
180.	Administrative expenses:	(595,497)	(576,307)
	a) personnel expenses	(304,451)	(301,406)
	b) other administrative expenses	(291,046)	(274,901)
190.	Net provisions for risks and charges	(7,009)	(6,127)
200.	Impairment/recoveries on property, plant and equipment	(14,665)	(14,099)
210.	Impairment/recoveries on intangible assets	(30,818)	(29,675)
220.	Other operating expenses/income	155,468	140,831
230.	**Operating expenses**	**(492,520)**	**(485,377)**
240.	Profit (losses) on equity investments	7,151	9,786
250.	Net profit (losses) on property, plant and equipment and intangible assets designated at fair value	-	-
260.	Impairment on goodwill	-	-
270.	Profit (losses) on disposal of investments	(20)	61
280.	**Profit (loss) before taxes from continuing operations**	**203,226**	**193,730**
290.	Taxes on income for the period from continuing operations	(65,113)	(65,805)
300.	**Profit (loss) from continuing operations, net of taxes**	**138,113**	**127,925**
310.	**Profit (loss) from discontinued operations, net of taxes**	-	-
320.	**Profit (loss) for the period**	**138,113**	**127,925**
330.	Profit (Loss) for the period attributable to minority interest	(7,135)	(5,390)
340.	**Net profit (loss) for the period attributable to the Parent Company**	**130.978**	**122,535**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Items		30.06.2017	30.06.2016
10,	**Profit (loss) for the period**	**138,113**	**127,925**
	Other comprensive income after taxes with not reversed in profit or loss		
20.	Property, plant and equipment	-	-
30.	Intangible Assets	-	-
40.	Actuarial profit (losses) on defined-benefit plans	(526)	(3,779)
50.	Non-current assets held for sale/disposal groups	-	-
60.	Share of Valuation Reserves on equity investments measured using the equity method	-	-
	Other comprensive income after taxes reversed in profit or loss		
70.	Hedges of foreign investments	-	-
80.	Exchange rate differences	-	-
90.	Cash flow hedges	-	-
100.	Financial assets available for sale	(570)	(57,389)
110.	Disposal groups	-	-
120.	Share of Valuation Reserves on equity investments measured using the equity method	-	-
130.	**Total other comprehensive income after tax**	**(1,096)**	**(61,168)**
140.	**Comprehensive income (Item 10+130)**	**137,017**	**66,757**
150.	Consolidated comprehensive income attributable to minority interest	6,994	2,959
160.	**Consolidated comprehensive income attributable to the Parent Company**	**130,023**	**63,798**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2017

	Share capital: ordinary shares	Share Premiums reserve	Reserves:		Valuation reserves	Equity instruments	Treasury shares	Net Profit (Loss) for the period	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	-	-964.00	10,844	205,898
ALLOCATION OF NET PROFIT FOR THE PREVIOUS PERIOD	-	-	-	-	-	-	-	-	-
Reserves	-	-	89,205	-	-	-	-	-89,205	-
Dividends and other allocations	-	-	-	-	-	-	-	-129,763	-129,763
CHANGES FOR THE PERIOD	-	-	-	-	-	-	-	-	-
Change in reserves	-	-	47	-	-	-	-	-	47
Transactions on equity	-	-	-	-	-	-	-	-	-
Issue of new shares	1,529	1,020	-	-	-	-	-	-	2,549
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-7,801	-	-	-	-	-	-7,801
Charity	-	-	1,512	-	-	-	-	-	1,512
Consolidation adjustments	-241	-944	-1,011	-	-8	-	-	-	-2,204
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-1,096	-	-	138,113	137,017
GROUP SHAREHOLDERS' EQUITY AS AT 30 JUNE 2017	**876,762**	**2,735,462**	**1,175,045**	**-14,534**	**-14,392**	**200,000**	**-4,045**	**130,978**	**5,085,276**
MINORITY INTEREST AS AT 30 JUNE 2017	**62,358**	**100,017**	**31,448**	**2,939**	**746**	**-**	**-954**	**7,135**	**203,689**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2016

	Share capital: ordinary shares	Share Premiums reserve	Reserves:		Valuation reserves	Treasury shares	Net profit/ (Loss) for the period	Shareholders' equity
			Retained earnings	Other				
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2015	876,762	2,735,462	1,029,228	-15,156	0	76,615	220,636	4,923,547
MINORITY INTEREST AS AT 31 DEC. 2015	61,502	102,913	31,877	2,939	0	5,123	10,248	214,602
ALLOCATION OF NET PROFIT FOR THE PREVIOUS PERIOD	-	-	-	-	-	-	-	-
Reserves	-	-	60,154	-	-	-	-60,154	-
Dividends and other allocations	-	-	-	-	-	-	-170,730	-170,730
CHANGES FOR THE PERIOD	-	-	-	-	-	-	-	-
Change in reserves	-	-	-	-	-	-	-	-
Transactions on equity	300	-	-	-	-	-	-	300
Issue of new shares	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-5,000	-	-	-5,000
Charity	-	-	1,229	-	-	-	-	1,229
Consolidation adjustments	-567	-2,217	2,816	-	-	-32	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	-61,168	127,925	66,757
GROUP SHAREHOLDERS' EQUITY AS AT 30 JUNE 2016	**876,762**	**2,735,462**	**1,094,007**	**-15,156**	**-4,027**	**17,847**	**122,535**	**4,827,430**
MINORITY INTEREST AS AT 30 JUNE 2016	**61,235**	**100,696**	**31,297**	**2,939**	**-973**	**2,691**	**5,390**	**203,275**

CONSOLIDATED STATEMENT OF CASH FLOWS

	30.06.2017	30.06.2016
A. OPERATIONS		
1. Cash flow from (used in) operations	**520,629**	**632,210**
- profit (loss) for the period (+/-)	130,978	122,535
- profit (losses) on financial assets held for trading and financial assets/liabilities designated at fair value (-/+)	-3,377	653
- profit/losses on hedging activities (-/+)	2,856	3,292
- net losses/recoveries on impairment (+/-)	91,371	119,477
- impairment/recoveries on property, plant and equipment and intangible assets (+/-)	45,483	43,774
- net provisions for risks and charges and other expenses/income (+/-)	7,009	6,127
- unpaid taxes and tax credits (+)	65,113	65,805
- impairment/recoveries on discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	181,196	270,547
2. Cash flows from/used in financial assets	**-909,990**	**-115,391**
- financial assets held for trading	13,085	8,997
- financial assets designated at fair value	-	-
- financial assets available for sale	7,481	222,168
- loans from banks: demand	41,722	-14,872
- loans from banks: other loans	614,368	1,053,479
-loans to customers	-1,467,650	-1,265,486
- other assets	-118,996	-119,677
3. Cash flows from/used in financial liabilities	**2,745,430**	**-1,547,625**
- due to banks: on demand	-89,909	73,723
- due to banks: other payables	845,386	-1,067,845
- due to customers	1,237,269	735,089
- debt securities issued	70,678	-1,502,595
- financial liabilities held for trading	-19,716	-5,004
- financial liabilities designated at fair value	-	-
- other liabilities	701,722	219,007
Net cash flows from/used in operating activities	**2,356,069**	**-1,030,806**
B. INVESTING ACTIVITIES		
1. Cash flow from	**8,504**	**21,238**
- sales of equity investments	-	12,669
- dividends received on equity investments	8,401	8,569
- sale of investments held to maturity	-	-
- sales of property, plant and equipment	103	-
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used in	**-2,269,297**	**-29,794**
- purchases of equity investments	-	-
- purchases of investments held to maturity	-2,243,942	-
- purchases of property, plant and equipment	-13,090	-16,258
- purchases of intangible assets	-12,265	-13,536
- purchases of business units	-	-
Net cash flows from/used in investing activities	**-2,260,793**	**-8,556**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	2,549	-5,000
- issues/purchases of equity instruments	-7,801	-
- distribution of dividends and other scope	-129,763	-170,730
Net cash flows from/used in funding activities	**-135,015**	**-175,730**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	**-39,739**	**-1,215,092**

RECONCILIATION

Financial Statement items	30.06.2017	30.06.2016
Cash and cash equivalents at the beginning of the period	223,966	1,390,189
Net increase/decrease in cash and cash equivalents for the period	-39,739	-1,215,092
Cash and cash equivalents: foreign exchange effect	-	-
Cash and cash equivalents at the ending of the period	**184,227**	**175,097**

KEY: (+) from (–) used in

Notes to the Interim Condensed Consolidated Financial Statements

ACCOUNTING POLICIES

Statement of compliance with the International Accounting Standards

This Interim Condensed Consolidated Financial Statements was prepared in compliance with Italian Legislative Decree No. 38 of 28 February 2005, in accordance with the International Accounting Standards issued by the International Accounting Standards Board (IASB) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission, as provided for by Regulation (EC) No. 1606 of 19 July 2002.

Specifically, the accounting standards used to prepare the Interim Condensed Consolidated Financial Statements are the same ones used to prepare the Annual Report and Financial Statements as at 31 December 2016 and described in the year-end accounting document, except for the new standards and interpretations applicable to reporting periods starting on or after 1 January 2017 issued by the IASB and endorsed by the European Commission.

This Interim Condensed Consolidated Financial Statements was also prepared in compliance with IAS 34 “Interim Financial Reporting”, on a consolidated basis, as provided for by Article 154-*ter* of Italian Legislative Decree No. 5 of 24 February 1998, the Italian “Consolidated Act on Financial Intermediation (Italian acronym: TUF)”.

The Interim Condensed Consolidated Financial Statements have been subject to limited audit carried out by the Independent Auditors EY S.p.A.

Developments in the financial reporting standards adopted

The most significant amendments to the international financial reporting standards are listed below, with the relevant period of application.

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

Standards, amendments or interpretations	Date of publication	Date of first application
IFRS 15 Revenue from Contracts with Customers	29 Oct. 2016 (EU No. 1905/2016)	1 Jan. 2018
IFRS 9 Financial instruments	29 Nov. 2016 (EU No. 2067/2016)	1 Jan. 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). The amendment “Clarifications to IFRS 15”, providing further guidance on the application of this standard, is currently being endorsed by the European Union and is expected to enter into force on the same date.

On its first-time adoption of this standard, the Crédit Agricole Italia Banking Group has opted for the modified retrospective transition approach, recognizing the cumulative effects as at 1 January 2018, with no comparative 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.

An impact analysis of the implementation of IFRS 15 was carried out in the first months of 2017 and, for the time being, no significant impacts are expected for our Group.

IFRS 9 Financial Instruments

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

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

The main changes implemented by the standard

Classification and measurement of financial assets

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

As regards the former point, 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 and selling financial assets, should the latter opportunity arise;
- The *Sell business model*, whose objective is to sell the assets.

As regards the latter point, the required verification concerns the contractual characteristics (‘*Solely Payments of Principal & Interests*’ or ‘*SPPI*’ tests) of the loan or debt security, in order to determine the instrument’s final eligibility within the above-reported business models and, consequently, within the relevant account category.

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

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

Based on the above criteria:

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

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

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

Impairment

IFRS 9 provides for a new impairment model requiring the recognition of '*Expected Credit Losses*' 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 is based on three "buckets":

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

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

The assessment of a significant increase in credit risk depends on the level of risk measured on the date of initial recognition and shall be detected before the 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 use 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 for realization of collateral in order for the debtor's obligations to be fulfilled.

In short, the new impairment model pursuant to IFRS 9 will 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 regulated by IFRS 9 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 SA Group for the implementation of the new standard; therefore, it has made the internal arrangements required to implement IFRS 9 within the set term, with the involvement of and the cooperation given by the structures engaged in accounting, finance, risk management, credit, marketing and IT functions.

The steps of the project and the milestones achieved to date

In the first half of 2015, works focused on:

- The analysis of the provisions set down by the standard, with specific focus on the changes generated by the new criteria for classification and measurement of financial assets and by the changes to the credit impairment model, which requires entities to recognize lifetime expected credit losses (ECL) rather than incurred losses;
- The identification of key questions and of the main accounting interpretation topics starting from 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, since the beginning of 2016, the Crédit Agricole Italia Banking Group has participated in the Group's main projects concerning:

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

Some provisional simulations of the 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 and as at 31 December 2016 at a Group level. A new simulation will be carried out in the second half of 2017 based on the data as at 30 June 2017.

The works for the implementation of the IT application are being developed in order to integrate the standard's new requirements.

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.

OTHER INFORMATION

The standards and interpretations published by the IASB as at 30 June 2017 but not yet endorsed by the European Union are not applicable to the Crédit Agricole Italia Banking Group.

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

The 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.

In the income statement, the standard requires recognition of the asset depreciation separate recognition of depreciation and interest expense, 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 Group and, consistently, as part of it, on the Crédit Agricole Italia Banking Group, was carried out in 2016. In June 2017, a new analysis started aimed at identifying the contracts subject to the new standard and the related impacts on the balance sheet. This analysis will be completed in the fourth quarter of 2017.

General Preparation Principles

The Half-yearly Consolidated Report consists of the Interim Condensed Consolidated Financial Statements, of the Interim Management Report and of the statement issued by the Chief Executive Officer and by the Manager in charge of the preparation of corporate accounting documents required by Article 154-*bis* paragraph 5 of the Italian "Consolidated Act on Financial Intermediation".

The Interim Condensed Consolidated Financial Statements include:
- the Balance Sheet;
- the Income Statement;

- the Statement of Comprehensive Income;
- the Statements of Changes in Equity;
- the Statement of Cash Flows;
- Explanatory Notes.

The Interim Condensed Consolidated Financial Statements has been prepared using the Euro as the reporting currency; the amounts are expressed in thousands of Euro, where not otherwise specified. In addition to the data for the reporting period, the Financial Statements and the tables in the Explanatory Notes also report the relevant comparative figures, which, as regards the Balance Sheet, refer to 31 December 2016 and, as regards the Income Statement, the Statement of Changes in Equity and the Statement of Comprehensive Income, refer to 30 June 2016.

This Interim Condensed Consolidated Financial Statements has been prepared on a going-concern basis, since the Group is believed to continue in operation in the foreseeable future; therefore the Interim Condensed Financial Statements as at 30 June 2017 have been prepared on a going-concern basis.

The preparation of the Interim Condensed Consolidated Financial Statements entails the use of estimates and assumptions to determine some expense and revenue components, as well as to measure assets and liabilities. For these, reference is also made to the 2016 Annual Report. Moreover, it is pointed out that, generally, some measurement processes, in particular the most complex ones, such as the assessment of asset impairment, are thoroughly carried out upon preparation of the annual report, when all the necessary information is available, with the exception of those cases where significant impairment indicators require immediate measurement of any impairment.

In order to better compare the different periods and, especially, to provide a more effective representation of income performance, some reclassifications were made vs. the financial statement layouts.

SCOPE AND METHODS OF CONSOLIDATION

Scope of consolidation

In addition to the Parent Company, Crédit Agricole Cariparma S.p.A., the consolidation perimeter includes its subsidiaries as 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 been included, when the requirements are met, also irrespective of the existence of a majority shareholding.

The methods used to consolidate the data of subsidiaries (line-by-line aggregation) are the same ones used to prepare the Annual Report and Consolidated Financial Statements as at 31 December 2016.

Equity investments in subsidiaries

The following table shows the equity investments included within the scope of consolidation, reporting:

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

Company name	HQ	Type of control(1)	Type of investee		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	80.53%	80.91%(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%

(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.

EVENTS OCCURRED AFTER THE REPORTING DATE

From 30 June 2017 to the date of approval of this Financial Report, no events occurred which could significantly change the structures of the Crédit Agricole Italia Banking Group.

Fiere di Parma

Just for information, it is reported that, in the first half of 2017, the Municipality and the Provincial Government of Parma agreed to jointly divest their stakes in Fiere di Parma S.p.A., which together accounted for 17% of its share capital and consisted of 215,909 shares each.

The above stakes were sold at public auction and Crédit Agricole Cariparma S.p.A. was the highest bidder, thus increasing its equity investment to over 20%.

The final awarding of the above shares is subject to the pre-emption rights of Fiere di Parma shareholders, which are to be exercised within 60 days of the relevant notice; the sale agreements will be finalized after the end of this term.

OTHER MATTERS

Option for the national tax consolidation between the companies of the Crédit Agricole Group in Italy

In March 2016, the formal notice was sent to the *Agenzia delle Entrate* (the Italian Inland Revenue Service) with which, effective from 2015, the option was exercised for the national tax consolidation of the Crédit Agricole SA Group in Italy, pursuant to Article 6 of Italian Legislative Decree No. 147 of 14 September 2015. In accordance with this regime, also the Italian “sister” companies, whose controlling Company is resident in a EU Member State, may exercise the option for consolidated taxation. 18 Companies of the Group opted to join the tax consolidation scheme and, having been designated by Crédit Agricole SA, Crédit Agricole Cariparma has undertaken the role of Consolidating Entity.

Increase in the share capital of Crédit Agricole Leasing Italia Srl

In April 2017, the General Meeting of the Shareholders of Crédit Agricole Leasing Italia Srl resolved a share capital increase of a maximum amount of Euro 27 million, in order to comply with the prudential regulations on capital absorption issued by the Supervisory Authority (Bank of Italy circular No. 288/2015 as amended and supplemented).

After the Bank of Italy approved the capital strengthening actions, in June 2017 the first two tranches were subscribed for a nominal amount of Euro 10.2 million with a share premium of Euro 6.8 million, in accordance with the equity investments held by the shareholders Crédit Agricole Cariparma S.p.A. and Crédit Agricole Leasing & Factoring.

The Group’s performance

In the following statements, the Income Statement figures as at 30 June 2017 are given and compared to the figures referring to the same period last year. The relevant comments are given in the “Interim Management Report”, where the Company’s performance is dealt with.

The performance for the first half of 2017 refers to the Group perimeter that consists of Crédit Agricole Cariparma S.p.A. (Parent Company), Crédit Agricole FriulAdria S.p.A., Crédit Agricole Carispezia S.p.A., Crédit Agricole Leasing Italia S.r.l., Crédit Agricole Group Solutions S.c.p.A., of the special-purpose entities Mondo Mutui Cariparma S.r.l., Crédit Agricole Italia OBG S.r.l., Sliders S.r.l. and Italstock S.r.l. that have been consolidated on a line-item basis.

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

Reclassified Consolidated Income Statement

	30.06.2017	30.06.2016	Changes	
			Absolute	%
Net interest income	461,948	471,592	-9,644	-2.0
Net fee and commission income	370,072	338,877	31,195	9.2
Dividends	8,401	8,569	-168	-2.0
Profit (loss) on banking activities	13,117	33,940	-20,823	-61.4
Other operating income (expenses)	12,012	5,845	6,167	
Net operating income	**865,550**	**858,823**	**6,727**	**0.8**
Personnel expenses	-304,451	-301,406	3,045	1.0
Administrative expenses	-153,144	-141,825	11,319	8.0
Depreciation of Property, plant and equipment and amortization of intangible assets	-45,483	-43,774	1,709	3.9
Operating expenses	**-503,078**	**-487,005**	**16,073**	**3.3**
Operating margin	**362,472**	**371,818**	**-9,346**	**-2.5**
Impairment on goodwill	-	-	-	-
Net provisions for risks and charges	-7,009	-6,127	882	14.4
Impairment of loans	-152,217	-172,086	-19,869	-11.5
Impairment of other assets	-	-	-	-
Profit (losses) on investments held to maturity and other investments	-20	125	-145	
Profit (loss) before taxes on continuing operations	**203,226**	**193,730**	**9,496**	**4.9**
Taxes on income from continuing operations	-65,113	-65,805	-692	-1.1
Profit (loss) after taxes on discontinuing operations	-	-	-	-
Net profit (loss) for the period	**138,113**	**127,925**	**10,188**	**8.0**
Profit (loss) for the period attributable to minority interest	-7,135	-5,390	1,745	32.8
Net profit (loss) for the period attriutable to the Parent Company	**130,978**	**122,535**	**8,443**	**6.9**

Reconciliation between the Official and Reclassified Income Statements

	30.06.2017	30.06.2016
Net interest income	**461,948**	**471,592**
30. Net interest income	435,258	439,147
90. Net profit (losses) on hedging activities: of which amortized cost effect of hedging of debt instruments	(3,458)	(1,723)
130. Net losses on impairment of: a) loans of which time value on non-performing loans	29,613	33,263
190: Calit IAS gains	535	905
Net fee and commission income	**370,072**	**338,877**
60. Net fee and commission income	360,530	323,972
190. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	9,542	14,905
Dividends and similar income = item 70	**8,401**	**8,569**
Profit (losses) on financial activities	**13,117**	**33,940**
80. Net profit (losses) on trading activities	10,025	4,969
90. Net profit (losses) on hedging activities debt securities classified as loans	(4,901)	(1,331)
90. Net profit (losses) on hedging activities: of which amortized cost effect of hedging of debt instruments	3,458	1,723
100. Profit (losses) on disposal or repurchase of: a) loans	-	-
100. Profit (losses) on disposal or repurchase of: b) financial assets available for sale	5,474	29,734
100. Profit (losses) on disposal or repurchase of: d) financial liabilities	(939)	(1,155)
110. Net gain (loss) on financial assets and liabilities designated at fair value	-	-
Other operating income (expenses)	**10,047**	**5,845**
190. Other operating expenses/income	155,469	140,831
130. Net losses on impairment of: d) other financial transactions of which adjustments to/ recoveries relating to FITD (Italian Interbank Deposit Protection Fund) actions	-	(217)
210. CA Vita Adjustment Price	7,151	9,722
To deduct: expenses recovered	(130,244)	(124,751)
to deduct: recovered expenses for the management of non-performing loans	(4,195)	(3,891)
to deduct: Commission income from Fast Loan Application Processing	(9,542)	(14,905)
To deduct>: Calit IAS gains	(535)	(905)
130. Net losses on impairment of: b) financial assets available for sale	(6,092)	(39)
Net operating income	865,550	858,823
Personnel expenses = item 150 a)	**(304,451)**	**(301,406)**
Administrative expenses	**(153,144)**	**(141,825)**
150. Administrative expenses: b) other administrative expenses	(291,046)	(274,901)
190. Other operating expenses/income: of which expenses recovered	130,244	124,751
150. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	7,658	8,325
Depreciation of property, plant and equipment and amortization of intangible assets	**(45,483)**	**(43,774)**
170. Net adjustments to/recoveries on property, plant and equipment	(14,665)	(14,099)
180. Net adjustments to/recoveries on intangible assets	(30,818)	(29,675)
Operating expenses	(503,078)	(487,005)
Operating margin	362,471	371,818
Impairment on goodwill = item 230	**-**	**-**
Net provisions for risks and charges = Item 160	**(7,009)**	**(6,127)**
Net value adjustments of loans	**(152,217)**	**(172,086)**
100. Profit/losses on disposal of: a) loans	(21,113)	(4,449)
100. Profit (losses) on disposal or repurchase of: a) loans	-	-
130. Net impairment losses on: a) loans	(96,792)	(130,656)
130. Net impairment losses on: a) loans of which time value on non-performing loans	(29,613)	(33,263)
150. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	(7,658)	(8,325)
190. Other operating expenses/income: of which recovered expenses for the management of non-performing loans	4,195	3,891
130. Net impairment losses on: d) other financial transactions	(1,236)	499
to deduct: losses/recoveries relating to FITD (Italian Interbank Deposit Protection Fund) actions	-	217
Profit (losses) on investments held to maturity and other investments	**(20)**	**125**
210. Profit (losses) on equity investments	7,151	9,786
To deduct: CA VITA adjustment price	(7,151)	(9,722)
240. Profit (losses) on disposal of investments	(20)	61
Profit (loss) before taxes from continuing operations	203,226	193,730
Taxes on income from continuing operations = item 260	**(65,113)**	**(65,805)**
Net Profit (loss) for the period	**138,113**	**127,925**
Net profit (loss) for the period attributable to minority interests	(7,135)	(5,390)
Net profit (loss) for the period attributable to the Parent Company	**130,978**	**122,535**

Net interest income

Items	30.06.2017	30.06.2016	Changes	
			Absolute	%
Business with Customers	362,384	398,025	-35,641	-9.0
Business with banks	3,199	5,103	-1,904	
Debt securities issued	-49,089	-72,289	-23,200	-32.1
Spreads on hedging derivatives	73,436	97,914	-24,478	-25.0
Financial assets held for trading	4	5	-1	-20.0
Investments held to maturity	4,170	-	4,170	
Financial assets available for sale	67,848	42,666	25,182	59.0
Financial assets and liabilities measured at fair value	-	-	-	
Other net interest income	-4	168	-172	
Net interest income	**461,948**	**471,592**	**-9,644**	**-2.0**

Net fee and commission income

Items	30.06.2017	30.06.2016	Changes	
			Absolute	%
- guarantees issued	1,729	4,432	-2,703	-61.0
- collection and payment services	20,840	20,021	819	4.1
- current accounts	91,250	100,548	-9,298	-9.2
- debit and credit card services	13,110	14,919	-1,809	-12.1
Commercial banking business	**126,929**	**139,920**	**-12,991**	**-9.3**
- securities intermediation and placement	91,787	65,841	25,946	39.4
- intermediation in foreign currencies	1,976	1,913	63	3.3
- asset management	5,515	4,667	848	18.2
- distribution of insurance products	107,215	92,631	14,584	15.7
- other intermediation/management fee and commission income	15,443	12,537	2,906	23.2
Management, intermediation and advisory services	**221,936**	**177,589**	**44,347**	**25.0**
Tax collection services	-	-	-	
Other net fee and commission income	**21,207**	**21,368**	**-161**	**-0.8**
Total net fee and commission income	**370,072**	**338,877**	**31,195**	**9.2**

Profit (loss) from banking activities

Items	30.06.2017	30.06.2016	Changes	
			Absolute	%
Interest rates	6,210	1,145	5,065	
Activities on Stocks	1	70	-69	-98.6
Activities on Foreign exchange	2,857	2,584	273	10.6
Activities on Goods	20	15	5	33.3
Total gains (losses) on financial assets held for trading	**9,088**	**3,814**	**5,274**	
Total gains (losses) on assets held for hedging	**-1,446**	**391**	**-1,837**	
Gains (losses) on disposal of financial assets available for sale	**5,475**	**29,735**	**-24,260**	**-81.6**
Net gain (loss) on financial assets and liabilities designated at fair value	**-**	**-**	**-**	
Gains (losses) on disposal of debt securities classified as loans	**-**	**-**	**-**	
Profit (loss) from banking activities	**13,117**	**33,940**	**-20,823**	**-61.4**

Operating expenses

Items	30.06.2017	30.06.2016	Changes	
			Absolute	%
- wages and salaries	-217,443	-217,155	288	0.1
- social security contributions	-57,874	-56,283	1,591	2.8
- other personnel expenses	-29,134	-27,968	1,166	4.2
Personnel expenses	**-304,450**	**-301,406**	**3,044**	**1.0**
- general operating expenses	-48,346	-46,433	1,914	4.1
- IT services	-33,045	-33,007	39	0.1
- direct and indirect taxes	-52,464	-54,194	-1,730	-3.2
- property management	-25,394	-25,255	139	0.6
- legal and other professional services	-7,730	-4,964	2,766	55.7
- advertising and promotion expenses	-5,142	-4,750	392	8.3
- indirect personnel expenses	-3,685	-3,445	240	7.0
- contributions to SRF/DGS/SPS	-17,930	-10,201	7,729	75.8
- other expenses	-89,531	-84,328	5,203	6.2
- expenses and charges recovered	130,122	124,751	5,371	4.3
Administrative expenses	**-153,145**	**-141,825**	**11,320**	**8.0**
- intangible assets	-30,818	-29,675	1,143	3.9
- property, plant and equipment	-14,665	-14,099	566	4.0
Depreciation and amortization	**-45,483**	**-43,774**	**1,709**	**3.9**
Operating expenses	**-503,078**	**-487,005**	**16,073**	**3.3**

Impairment of loans

	30.06.2017	30.06.2016	Changes	
			Absolute	%
- Bad loans	-102,789	-96,889	5,900	6.1
- Unlikely to Pay	-61,671	-81,565	-19,894	-24.4
- Past-due loans	-2,950	-4,554	-1,604	-35.2
- Performing loans	19,893	14,640	5,253	35.9
Net losses on impairment of loans	**-147,516**	**-168,368**	**-20,852**	**-12.4**
Expenses/recovered expenses for loan management	-3,465	-4,432	-967	-21.8
Net adjustments for guarantees and commitments	-1,236	714	-1,950	
Net value adjustments of loans	**-152,217**	**-172,086**	**-19,869**	**-11.5**

Comprehensive income

Items		30.06.2017	30.06.2016
10.	**Net profit (loss) for the period**	**138,113**	**127,925**
	Other comprehensive income after taxes with not reversed in profit or loss		
20.	Property, plant and equipment	-	-
30.	Intangible Assets	-	-
40.	Actuarial profit (losses) on defined-benefit plans	(526)	(3,779)
50.	Non-current assets held for sale	-	-
60.	Share of Valuation Reserves from equity investments measured using the equity method	-	-
	Other comprehensive income after taxes reversed in profit or loss		
70.	Hedges of foreign investments	-	-
80.	Exchange rate differences	-	-
90.	Cash flow hedges	-	-
100.	Financial assets available for sale	(570)	(57,389)
110.	Disposal groups	-	-
120.	Share of Valuation Reserves from equity investments measured using the equity method	-	-
130.	**Total other comprehensive income after taxes**	**(1,096)**	**(61,168)**
140.	**Comprehensive income (Item 10+130)**	**137,017**	**66,757**
150.	Consolidated comprehensive income attributable to minority interest	6,994	2,959
160.	**Consolidated comprehensive income attributable to the Parent Company**	**130.023**	**63,798**

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

Balance sheet aggregates

Balance sheet figures at 30 June 2017 are reported below with the comparison figures for the previous year. The relevant comments are included in the "Interim Management Report", where the Company's performance is dealt with.

Reclassified Consolidated Balance Sheet

Assets	30.06.2017	31.12.2016	Changes	
			Absolute	%
Financial assets available for sale	5,392,956	5,423,218	-30,262	-0.6
Investments held to maturity	2,243,942	-	2,243,942	100.0
Loans to Customers	39,453,396	38,209,279	1,244,117	3.3
Equity investments	-	10	-10	-100.0
Property, plant and equipment and intangible assets	2,387,070	2,407,321	-20,251	-0.8
Tax assets	975,263	1,087,730	-112,467	-10.3
Other assets	1,431,759	1,388,650	43,109	3.1
Total assets	**51,884,386**	**48,516,208**	**3,368,178**	**6.9**

Liabilities	30.06.2017	31.12.2016	Changes	
			Absolute	%
Net due to banks	1,963,900	552,333	1,411,567	
Funding from Customers	41,184,719	39,892,679	1,292,040	3.2
Net Financial Assets/Liabilities held for trading	8,435	11,325	-2,890	-25.5
Tax liabilities	161,298	200,227	-38,929	-19.4
Other liabilities	2,967,176	2,232,332	734,844	32.9
Specific-purpose provisions	309,893	339,704	-29,811	-8.8
Share capital	876,762	876,762	-	-
Equity instruments	200,000	200,000	-	-
Reserves (net of treasury shares)	3,891,928	3,810,253	81,675	2.1
Valuation reserves	-14,392	-13,429	963	7.2
Equity attributable to minority interest	203,689	205,898	-2,189	-1.1
Net Profit (loss) for the period	130,978	208,124	-77,166	-37.1
Total liabilities and shareholders' equity	**51,884,386**	**48,516,208**	**3,368,178**	**6.9**

Reconciliation of the official balance sheet and the reclassified balance sheet

Assets	30.06.2017	31.12.2016
Financial assets designated at fair value	-	-
30. Financial assets designated at fair value	-	-
Financial assets available for sale	**5,392,956**	**5,423,218**
40. Financial assets available for sale	5,392,956	5,423,218
Investments held to maturity	2,243,942	-
50. Investments held to maturity	2,243,942	-
Net due from banks	-	-
60. Due from banks	-	-
10. Due to Banks	-	-
Loans to Customers	**39,453,396**	**38,209,279**
70. Loans to Customers	39,453,396	38,209,279
Equity investments	-	**10**
100. Equity investments	-	10
Property, plant and equipment and intangible assets	**2,387,070**	**2,407,321**
120. Property, plant and equipment	517,442	519,140
130. Intangible Assets	1,869,628	1,888,181
Tax assets	**975,263**	**1,087,730**
140. Tax assets	975,263	1,087,730
Other assets	**1,431,759**	**1,388,650**
10. Cash and cash equivalents	184,227	223,966
160. Other assets	574,117	406,384
80. Hedging derivatives (Assets)	654,695	749,490
90. Fair value change of financial assets in macro-hedge portfolios	18,720	8,810
Total assets	**51,884,386**	**48,516,208**

Liabilities	30.06.2017	31.12.2016
Net due to banks	**1,963,900**	**552,333**
10. Due to banks	5,691,796	4,936,319
60. Loans to banks	-3,727,896	-4,383,986
Funding from Customers	**41,184,719**	**39,892,679**
20. Due to Customers	32,373,907	31,136,638
30. Debt securities issued	8,810,812	8,756,041
Net financial Liabilities/Assets held for trading	**8,435**	**11,325**
40. Financial liabilities held for trading	83,419	103,135
20. Financial assets held for trading	-74,984	-91,810
Tax liabilities	**161,298**	**200,227**
80. Tax liabilities	161,298	200,227
Non-current liabilities held for sale and discontinued operations	**-**	**-**
Other liabilities	**2,967,176**	**2,232,332**
100. Other liabilities	1,795,095	932,931
60. Hedging derivatives (Liabilities)	758,854	748,527
70. Fair value change of financial liabilities in macro-hedge portfolios	413,227	550,874
Specific-purpose provisions	**309,893**	**339,704**
110. Employees' severance benefits	139,488	146,378
120. Provisions for risks and charges	170,405	193,326
Capital	**876,762**	**876,762**
180. Share capital	876,762	876,762
Equity instruments	**200,000**	**200,000**
150. Equity instruments	200,000	200,000
Reserves (net of treasury shares)	**3,891,928**	**3,810,253**
160. Reserves	1,160,511	1,078,826
170. Share premium reserve	2,735,462	2,735,462
190. Treasury Shares	-4,045	-4,035
Valuation reserves	**-14,392**	**-13,429**
130. Valuation reserves	-14,392	-13,429
Equity attributable to minority interest	**203,689**	**205,898**
210. Equity attributable to minority interest	203,689	205,898
Net Profit (Loss) for the period	**130,978**	**208,124**
200. Net Profit (loss) for the period	130,978	208,124
Total liabilities and shareholders' equity	**51,884,386**	**48,516,208**

Loans to Customers

Items	30.06.2017	31.12.2016	Changes	
			Absolute	%
- Current accounts	2,383,619	2,222,197	161,422	7.3
- Mortgage loans	23,366,592	22,729,762	636,830	2.8
- Advances and credit facilities	10,808,386	10,191,736	616,650	6.1
- Repurchase agreements	-	-	-	-
- Non-performing loans	2,733,023	2,904,907	-171,883	-5.9
Loans	**39,291,620**	**38,048,602**	**1,243,018**	**3.3**
Loans represented by securities	**161,776**	**160,677**	**1,099**	**0.7**
Loans to Customers	**39,453,396**	**38,209,279**	**1,244,117**	**3.3**

Loans to customers: credit quality

Items	30.06.2017			31.12.2016		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
- Bad loans	2,967,409	1,742,645	1,224,764	2,919,533	1,691,113	1,228,420
- Unlikely to Pay	1,863,643	416,368	1,447,275	2,022,592	420,211	1,602,381
- of which "former Substandard loans"	1,297,079	302,017	995,062	1,350,845	293,693	1,057,152
- of which "former Restructured loans"	566,564	114,351	452,213	671,747	126,518	545,229
- Past-due/overlimit loans	66,459	5,474	60,985	82,057	7,951	74,106
Non-performing loans	**4,897,511**	**2,164,487**	**2,733,024**	**5,024,182**	**2,119,275**	**2,904,907**
Performing loans	**36,879,814**	**159,442**	**36,720,372**	**35,484,623**	**180,251**	**35,304,372**
Total	**41,777,325**	**2,323,929**	**39,453,396**	**40,508,805**	**2,299,526**	**38,209,279**

Funding from Customers

Items	30.06.2017	31.12.2016	Changes	
			Absolute	%
- Deposits	1,704,870	2,150,391	-445,521	-20.7
- Current and other accounts	30,421,049	28,714,900	1,706,149	5.9
- Other items	247,987	271,347	-23,359	-8.6
- Repurchase agreements	-	0	0	0.0
Due to Customers	**32,373,907**	**31,136,638**	**1,237,268**	**4.0**
Debt securities issued	8,810,812	8,756,041	54,771	0.6
Total direct funding	**41,184,719**	**39,892,679**	**1,292,039**	**3.2**
Indirect funding	**55,007,462**	**64,892,521**	**-9,885,059**	**-15.2**
Total funding	**96,192,181**	**104,785,200**	**-8,593,020**	**-8.2**

Indirect funding

Items	30.06.2017	31.12.2016	Changes	
			Absolute	%
- Asset management products	13,885,758	13,282,643	603,115	4.5
- Insurance products	15,507,039	14,865,023	642,016	4.3
Total assets under management	**29,392,796**	**28,147,666**	**1,245,130**	**4.4**
Assets under administration	**25,614,666**	**36,744,855**	**-11,130,189**	**-30.3**
Indirect funding	**55,007,462**	**64,892,521**	**-9,885,059**	**-15.2**

Financial assets available for sale

Items	30.06.2017	31.12.2016	Changes	
			Absolute	%
- Bonds and other debt securities	5,166,554	5,183,913	-17,359	-0.3
- Equity securities and units of collective investment undertakings	600	712	-112	-15.7
Securities available for sale	**5,167,154**	**5,184,625**	**-17,471**	**-0.3**
- Equity investments	225,802	238,593	-12,791	-5.4
Shareholdings available for sale	**225,802**	**238,593**	**-12,791**	**-5.4**
Financial assets available for sale	**5,392,956**	**5,423,218**	**-30,262**	**-0.6**

Government securities held

	30.06.2017		
	Nominal value	**Book value**	**Revaluation reserve**
FVTPL			
Italian Government securities	1	1	-
Argentinian Government securities	21	-	-
AFS			
Italian Government securities	4,500,000	5,166,554	26,539
Argentinian Government securities	1	1	1
HTM			
Italian Government securities	2,000,000	2,243,942	-
Total	**6,500,023**	**7,410,498**	**26,540**

Specific-purpose provisions

Items	**30.06.2017**	**31.12.2016**	**Changes**	
			Absolute	**%**
Employees' Severance Benefits	139,488	146,378	-6,890	-4.7
Provisions for risks and charges	170,405	193,326	-22,921	-11.9
- post-employment benefits	18,282	19,045	-763	-4.0
- other provisions	152,123	174,281	-22,158	-12.7
Total specific-purpose provisions	**309,893**	**339,704**	**-29,811**	**-8.8**

Equity

Items	**30.06.2017**	**31.12.2016**	**Changes**	
			Absolute	**%,**
Share capital	876,762	876,762	0	0.0
Share premium reserve	2,735,462	2,735,462	0	0.0
Reserves	1,160,511	1,078,826	81,685	7.6
Capital instruments	200,000	200,000	0	0.0
Reserves from valuation of financial assets available for sale	17,090	17,593	-503	-2.9
Reserves from valuation of actuarial gains (losses) relating to defined-benefit pension plans	-31,482	-31,022	460	1.5
Treasury Shares	-4,045	-4,035	10	0.2
Net profit for the period	130,978	208,124	-77,146	-37.1
Total (book) equity	**5,085,276**	**5,081,710**	**3,565**	**0.1**

Own Funds

Own Funds and capital ratios	30.06.2017	31.12.2016
Common Equity Tier 1 (CET1)	**2,675,212**	**2,752,105**
Additional Tier 1 (AT1)	159,173	103,178
Tier 1 - T1	**2,834,385**	**2,855,283**
Tier 2 (T2)	407,906	361,435
Own Funds	**3,242,291**	**3,216,718**
Risk-weighted assets	**24,134,528**	**24,129,855**
of which by credit and counterparty risks and by the risk of value adjustment of the loan	21,488,988	21,485,004
CAPITAL RATIOS		
Common Equity Tier 1 ratio	**11.1%**	**11.4%**
Tier 1 ratio	**11.7%**	**11.8%**
Total Capital ratio	**13.4%**	**13.3%**

Consolidated Own Funds as at 30 June 2017 included, as per the prior authorization given by the Competent Authority (Article 26, par. 2 of Regulation (EU) No. 575/2013, Decision (EU) 2015/656 of the ECB), the share of the profit for the period eligible to be included, net of foreseeable charges and dividends; as regards the latter, the higher percentage of distribution was chosen between the one in the last FY and the average of the last three FYs.

During the reporting period, in order to strengthen its capital, especially its Tier 2 capital, the Group issued subordinated deposits (LT2) amounting to Euro 250 million and subscribed by the Parent Company Crédit Agricole SA. These deposits were issued at a rate equal to 3M Euribor + 219 b.p., with maturity on 28 June 2027 and quarterly coupons.

Moreover, Own Funds have been calculated taking account of the developments in the transitional provisions set down by the supervisory regulation for banks (Regulation (EU) No 575/2013 and Bank of Italy Circular No 285).

FAIR VALUE HIERARCHY REPORTING

Fair value hierarchy reporting - Classification of financial instruments and non-financial assets/liabilities

Reporting on fair value hierarchy, as required by IFRS 13 applies to financial instruments and to non-financial assets/liabilities that are designated at fair value (irrespectively 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:** Financial instruments whose fair value is determined using measurement models that are universally acknowledged and based on observable or indirectly observable market inputs. These inputs are directly observable or indirectly observable (for example, determining the interest rate curve based on the interest rates that can be observed directly on the market as at a reference date).

Level 2 includes:
- Stocks and bonds that are quoted on markets considered inactive or that are not quoted on an active market, but whose fair value is determined using a universally acknowledged measurement model based on observable or indirectly observable inputs;
- Financial instruments whose fair value is determined with measurement models using observable market inputs.

- **Level 3:** Financial instruments whose fair value is determined using, to a significant extent, inputs that do not meet the set observability requirements.

The fair value of some complex instruments that are not traded on active markets is determined with measurement techniques based on inputs that are not observable on the market. The above are mainly complex interest rate instruments, stock derivatives and structured loans, where the measured correlation or volatility inputs are not directly comparable to market inputs.

Fair value hierarchy reporting - 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; variable-rate bonds are measured by discounting back future cash flows estimated on the basis of the forward rates with the application of index-linking parameters.

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

Level 3: This level includes all financial instruments for which there is no active market and whose measurement is not based on observable market inputs; it also includes the measurements communicated by qualified market players.

In accordance with the IFRS 13 regulatory framework, the fair value of derivatives shall be 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).

As provided for by IFRS 13, in certain conditions, risk mitigation tools may be used, such as ISDA master agreements and Credit Support Annexes (CSA), and, therefore, 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.

As at 30 June 2017, the CVA value for the Crédit Agricole Italia Banking Group, calculated in accordance with the method used for the 2016 Annual Report and Financial Statements, was Euro 10.6 million. Similarly, as at 30 June 2017, the DVA value was Euro 1.2 million.

As regards the narrative description of the sensitivity of the fair value measurement of L3-classified instruments required by IFRS 13, it is pointed out that such instruments mainly consist of 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.

Fair value reporting - Fair value hierarchy

For assets and liabilities recognized, the Finance Division of Crédit Agricole Cariparma assesses, for the whole Group, whether transfers between fair value levels have occurred and reviews the fair value categorization at each reporting date.

The Finance Division moves financial instruments from Level 1 to Level 2 only in case of financial instruments that are quoted in a regulated but not active market and that can be measured using the Group's internal standard pricing models.

The Finance Division moves financial instruments to Level 3 only in case of financial instruments that are no longer listed in a regulated market and that cannot be measured using the Group's internal standard pricing models.

Fair value reporting - Transfers between portfolios

In the first half of 2017 no transfers between portfolios were made.

Portfolio reporting: breakdown by fair value level

Financial assets/liabilities designated at fair value	30.06.2017			31.12.2016		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	1	74,176	806	3	90,999	808
2. Financial assets designated at fair value	-	-	-	-	-	-
3. Financial assets available for sale	5,179,158	-	213,798	5,197,212	-	226,006
4. Hedging derivatives	-	654,635	60	-	749,417	73
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible Assets	-	-	-	-	-	-
Total	**5,179,159**	**728,812**	**214,664**	**5,197,215**	**840,416**	**226,887**
1. Financial liabilities held for trading	-	83,419	-	-	103,135	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	345,883	412,971	-	314,185	434,342
Total	**5,179,159**	**1,158,114**	**627,635**	**-**	**417,320**	**434,342**

The item "Financial assets available for sale" measured at Level 3 fair value reports the shareholding in the Bank of Italy (Euro 159,000 thousand), equity securities measured at cost and mainly consisting of the equity investments in Fiere di Parma (book value Euro 11,123 thousand), SILCA S.n.c. (book value Euro 2,060 thousand) and Gefil S.p.A. (book value Euro 2,049 thousand).

Changes for the period in financial assets designated at fair value Level 3

	Held for trading	Designated at *fair value*	Available for sale	Hedging derivatives	Property, Plant and Equipment	Intangible assets
1. Opening balance	**807**	**-**	**226,006**	**73**	**-**	**-**
2. Increases	**35**	**-**	**3,223**	**-**	**-**	**-**
2.1 Purchases	-	-	42	-	-	-
2.2 Profits recognized in:	-	-	-	-	-	-
2.2.1 Income Statement	31	-	2,606	-	-	-
- of which: Capital gains	2	-	1,963	-	-	-
2.2.2 Equity	X	X	572	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	4	-	2	-	-	-
3. Decreases	**36**	**-**	**15,430**	**13**	**-**	**-**
3.1 Sales	29	-	7,234	-	-	-
3.2 Redemptions	-	-	1,963	-	-	-
3.3 Losses recognized in:	-	-	-	-	-	-
3.3.1 Income Statement	3	-	6,092	13	-	-
- of which Capital losses	3	-	-	13	-	-
3.3.2 Equity	X	X	141	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	4	-	-	-	-	-
4. Closing balance	**806**	**-**	**213,798**	**60**	**-**	**-**

Changes for the period in financial liabilities designated at fair value Level 3

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balance	**-**	**-**	**434,342**
2. Increases	**-**	**-**	**4,766**
2.1 Issues	-	-	4,466
2.2 Losses recognized in:	-	-	-
2.2.1 Income Statement	-	-	300
- of which: Capital losses	-	-	300
2.2.2 Equity	X	X	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**-**	**-**	**26,137**
3.1 Redemptions	-	-	1,030
3.2 Repurchases	-	-	1,030
3.3 Profits recognized in:	-	-	-
3.3.1 Income Statement	-	-	24,077
- of which: Capital gains	-	-	24,077
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	**-**	**-**	**412,971**

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

Assets/liabilities that are not designated at fair value or designated at fair value on a non-recurring basis	30.06.2017				31.12.2016			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Investments held to maturity	2,243,942	2,264,892	-	-	-	-	-	-
2. Due from banks	3,727,896	-	3,727,896	-	4,383,986	-	4,383,986	-
3. Loans to Customers	39,453,396	-	-	41,630,466	38,209,279	-	-	40,534,877
4. Investment property	26,799	-	-	49,086	27,283	-	-	49,086
Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**45,452,033**	**2,264,892**	**3,727,896**	**41,679,552**	**42,620,548**	**-**	**4,383,986**	**40,583,963**
1. Due to Banks	5,691,796	-	5,691,796	-	4,936,319	-	4,936,319	-
2. Due to Customers	32,373,907	-	32,827,511	29,447	31,136,638	-	31,102,493	34,145
3. Debt securities issued	8,810,812	-	8,519,884	359,070	8,756,041	-	8,287,248	445,420
4. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**48,876,515**	**-**	**47,039,191**	**388,517**	**44,828,998**	**-**	**44,326,060**	**479,565**

Operations and income by business segment

Data relating to operations and income by business segment are reported in compliance with IFRS 8 - Operating Segments using the “management reporting approach”.

In compliance with the Bank of Italy provisions, segment reporting was prepared using the multiple ITR (internal transfer rate) method, integrating also the cost of liquidity and the balance sheet component on funding.

The Crédit Agricole Italia Banking Group operates through an organizational structure that includes: the Retail and Private Banking channels (the latter including the Financial Advisors structure) designed to provide services to individuals, households and small businesses, as well as to institutional customers; the Corporate Banking channel designed to provide services to larger-sized companies. Therefore, given the features of the Crédit Agricole Italia Banking Group, the “Other” channel is of a residual nature and includes the activities pertaining to central departments, with specific reference to governance.

Income from the Retail and Private Banking channels came to Euro 787 million, increasing by +3% YOY, mainly driven by the net fee and commission income component. Net interest income decreased, albeit to a lesser extent (-2%), because of interest rates remaining negative and of tension on spreads, as did the “Other income” item (-2%). The contribution given by the Corporate Banking channel to total revenues also improved, increasing by +5%, mainly thanks to the good performance of net interest income (which benefited mainly from the increase in medium and long-term loans).

In terms of costs, the main change in this item was the significant decrease in impairment losses on loans; as regards the Retail and Private Banking channels, the significant decrease in impairment losses on loans was essentially offset by an increase in operating expenses; for the Corporate Banking channel, the reduction in provisions for loans generated a 6% decrease in costs.

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 30 June 2017, the assets of the Retail and Private Banking channels came to Euro 27 billion, whereas the assets of the Corporate Banking segment came close to Euro 12.4 billion.

Liabilities by segment (point volumes) consist 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 27 billion worth of funding, while the Corporate Banking channel accounted for Euro 8.2 billion worth of funding.

It is pointed out that unallocated assets and liabilities report the set of the inter-bank transactions, the covered bond issue, as well as other balance sheet aggregates, such as: financial assets available for sale (including the Government securities portfolio), unallocated property, plant and equipment/ intangible assets, tax assets/liabilities, specific-purpose provisions and equity.

In accordance with IFRS 8, it is reported that the Group business operations are essentially carried out in the Italian national territory, they are not subject to periodic performance reporting to the management breaking down by foreign geographical area. The Group has not achieved revenues resulting from transactions with single external customers for amounts exceeding 10% of the income recognized in the financial statements.

SEGMENT REPORTING AS AT 30 JUNE 2017

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	347,360	120,239	-32,342	435,258
Net fee and commission income	304,910	43,208	12,412	360,531
Net gain (loss) on trading activities	2,411	2,429	5,185	10,025
Dividends	0	0	8,401	8,401
Other net operating revenue (item 90,100,190)	132,421	786	782	133,989
Total operating revenues	**787,103**	**166,662**	**-5,561**	**948,204**
Losses on impairment losses of loans	-48,753	-54,896	6,857	-96,792
Losses on impairment of AFS financial assets and other financial transactions	0	0	-7,328	-7,328
Personnel and administrative expenses and depreciation and amortization	-493,115	-34,563	-113,302	-640,980
Accruals to provisions for risks	-4,240	-6,825	4,056	-7,009
Total costs	**-546,108**	**-96,284**	**-109,717**	**-752,109**
Gains (losses) on equity investments	11,124	502	-4,475	7,151
Impairment on goodwill	0	0	0	0
Gains on disposal of investments	0	0	-20	-20
Profit (loss) by segment	**206,949**	**101,145**	**-104,868**	**203,226**
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
Profit before taxes	**206,949**	**101,145**	**-104,868**	**203,226**
Taxes	-50,797	-19,794	5,478	-65,113
Net profit for the period	**156,152**	**81,351**	**-99,390**	**138,113**
Data as at 30 June 2017				
Assets and liabilities				
Assets by segment	26,999,372	12,354,112	3,061,099	42,414,583
Equity investments in associates	0	0	0	0
Unallocated assets	0	0	13,272,683	13,272,683
Total assets	**26,999,372**	**12,354,112**	**16,333,782**	**55,687,266**
Liabilities by segment	27,044,482	8,213,558	3,098,893	38,356,933
Unallocated liabilities	0	0	12,481,058	12,481,058
Total liabilities	**27,044,482**	**8,213,558**	**15,579,951**	**50,837,991**

SEGMENT REPORTING AS AT 30 JUNE 2016

External operating income:	Retail and Private Banking	Corporate Banking	Other	Total
Net interest income	353,447	109,900	-24,200	439,147
Net fee and commission income	268,293	44,071	11,609	323,973
Net gain (loss) on trading activities	3,959	3,060	-2,050	4,969
Dividends	0	0	8,569	8,569
Other net operating revenues (item 90,100,190)	135,449	855	27,325	163,629
Total operating revenues	**761,148**	**157,886**	**21,253**	**940,287**
Losses on impairment of loans	-80,866	-49,663	-127	-130,656
Losses on impairment of AFS financial assets and other financial transactions	0	0	459	459
Personnel and administrative expenses and depreciation and amortization	-475,362	-30,106	-114,613	-620,081
Accruals to provisions for risks	-1,688	-4,471	32	-6,127
Total costs	**-557,916**	**-84,240**	**-114,249**	**-756,405**
Gains (losses) on equity investments	9,218	504	0	9,722
Impairment on goodwill	0	0	0	0
Gains on disposal of investments	0	0	61	61
Profit (loss) by segment	**212,450**	**74,150**	**-92,935**	**193,665**
Unallocated operating expenses	0	0	0	0
Operating margin	0	0	0	0
Share of profit of associates attributable to the Group	0	0	65	65
Profit before taxes	**212,450**	**74,150**	**-92,870**	**193,730**
Taxes	-76,591	-26,643	37,429	-65,805
Net profit for the period	**135,859**	**47,507**	**-55,441**	**127,925**
Data as at 31 December 2016				
Assets and liabilities				
Assets by segment	25,715,249	12,901,734	2,406,000	41,022,983
Equity investments in associates	0	0	10	10
Unallocated assets	0	0	11,969,010	11,969,010
Total assets	**25,715,249**	**12,901,734**	**14,375,020**	**52,992,003**
Liabilities by segment	28,384,103	7,623,337	418,331	36,425,771
Unallocated liabilities	0	0	11,680,488	11,680,488
Total liabilities	**28,384,013**	**7,623,337**	**12,098,819**	**48,106,259**

RISKS AND RISK MANAGEMENT

This section is meant to provide an update of the information on risks and the relative hedging policies, as at 30 June 2017, to complete the reporting given in Part E of the Annual Report as at 31 December 2016.

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 in an economic situation, such as the present one.

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 designing the risk management system, Crédit Agricole Cariparma complies with both the Italian legislation (with specific reference to the provisions of the 15th update to the Bank of Italy's Circular No. 285/2013, issued in July 2013), as well as with guidelines issued by the Parent Company Crédit Agricole SA, whose general model is the reference one for the Crédit Agricole Italia Banking Group.

The companies of the Group have their own risk management and control structures in compliance with the Group's guidelines, operate in their respective perimeters and benefit from the functions directly performed by Crédit Agricole Cariparma, when centralized.

Internal Capital Adequacy Assessment Process (ICAAP) Report

At the end of 2013, the Crédit Agricole Italia Banking Group was authorized by the competent Supervisory Authorities to use advanced approaches to calculate credit risk in order to determine its capital requirements, with regard to the Retail perimeter of Crédit Agricole Cariparma and Crédit Agricole FriulAdria and effective from the reporting as at 31 December 2013. Having obtained this authorization, the Crédit Agricole Italia Banking Group is a Class 1 firm for ICAAP purposes.

In addition to preparing the ICAAP for the Parent Company Crédit Agricole S.A., whose results are used as the main indicator of the RAF (Risk Appetite Framework), the Crédit Agricole Italia Banking Group is required, pursuant to Circular No. 285 of the Bank of Italy (Part 1, Title III, Chapter 1, Section 1, Paragraph 1), to prepare an ICAAP Report for the national Supervisory Authority.

Having regard to 31 December 2016, quantitative analyses concerned, in addition to First Pillar risks, concentration risk and interest rate risk of the banking book (the so-called Second Pillar Risks). The analyses showed that Own Funds are adequate to meet all the risks which the Crédit Agricole Italia Banking Group is exposed to, based on its operations and reference markets.

On the other hand, qualitative measurements, control or mitigation measures were used for the following risks: liquidity, residual, strategic and reputational risks. Other risks to be assessed within the ICAAP were also taken into account, in accordance with Circular No. 285 of the Bank of Italy (excessive financial leverage risk, Country risk, transfer risk and base risk), as well as non-compliance risk, the risk associated to the share of Encumbered Assets and the Information and Communication Technology (ICT) risk, since they are deemed relevant for the Crédit Agricole Italia Banking Group.

At the end of April 2017, the Crédit Agricole Italia Banking Group sent the following:

- As regards the ICAAP for the Parent Company, a set of documents to the ECB for the assessment of the system for internal capital management, which included quantitative evidence and an "ICAAP Statement" containing the opinion of the governance body on the adequacy of the Group's Own Funds, as well as internal reports on ICAAP intended to provide an overview of internal documents concerning ICAAP-related topics.

  Along with the ICAAP documentation, at the end of April 2017, the Group sent its ILAAP (Internal Liquidity Adequacy Assessment Process) Report to the EU Regulator. This Report is intended to provide the results of a self-assessment on the processes for the identification, measurement, management and monitoring of internal liquidity and describes: the liquidity framework, the Group's refinancing structure, the composition of its liquidity reserves, the mechanism for the allocation of refinancing costs, resilience testing, the contingency funding plan and areas where the methodological model needs to be further developed.

  This exercise gave evidence of the compliance of the liquidity risk management framework of the Crédit Agricole Italia Banking Group with the requirements set down by the Regulator. Indeed, the adopted framework ensures liquidity steering and effective monitoring of compliance with the set limits;
- As regards the ICAAP for the national Supervisory Authority, a Report containing the results of the capital adequacy assessment concerning the situation as at 31 December 2016 of the Basel "Second Pillar" situation, to the Bank of Italy. The Report also contains the strategic guidelines and the forecasting horizon considered; the description of the corporate governance, the organisational structure and the ICAAP-related control systems; risk exposure, risk measurement and aggregation methods, as well as stress testing; components, estimates and allocation methods of internal capital; reconciliation between internal capital, regulatory requirements and regulatory capital and, finally, the ICAAP self-assessment, highlighting areas where the methodological model needs to be further developed.

The Internal Capital Adequacy Assessment Process (ICAAP) is the first phase in the prudential supervision process envisaged by the Second Pillar of the new "Basel 3" prudential supervision regulation. The second phase consists of the Supervisory Review and Evaluation Process – SREP and it falls within the Supervisory Authority's competence, which shall review the ICAAP and issue an overall opinion on the Group.

Internal Liquidity Adequacy Assessment Process (ILAAP) Report

Along with the ICAAP Report, at the end of April 2017, the Group sent its ILAAP (Internal Liquidity Adequacy Assessment Process) Report to the EU Regulator. This Report is intended to provide the results of a self-assessment on the processes for the identification, measurement, management and monitoring of internal liquidity and describes: the liquidity framework, the Group's refinancing structure, the composition of its liquidity reserves, the mechanism for the allocation of refinancing costs, resilience testing, the contingency funding plan and areas where the methodological model needs to be further developed.

This exercise gave evidence of the compliance of the liquidity risk management framework of the Crédit Agricole Italia Banking Group with the requirements set down by the Regulator. Indeed, the adopted framework ensures liquidity steering and effective monitoring of compliance with the set limits.

Internal Controls System

The internal controls system is the complex of the organizational, procedural and regulatory mechanisms aimed at controlling all types of activities and risks to ensure proper execution and security of operations.

The scope of the Crédit Agricole Italia Banking Group's internal control system includes all its structures, both central and of the Distribution Network, Information Technology departments, outsourced essential services (FOIE, the Italian acronym for Important Operating Functions Outsourced) and the relating main providers.

In compliance with the standards of the Controlling Company, Crédit Agricole S.A., internal control is carried out with two different modalities: permanent control and periodic control.

In the Crédit Agricole Italia Banking Group, the Risk Management and Permanent Controls Department and the Compliance Department are in charge of permanent control activities, while the Audit Department is in charge of periodic control activities.

In accordance with the regulations in force, roles and departments engaged in control functions provide the corporate bodies having strategic responsibilities with periodic information on the single risks, through both dedicated reporting and participation in specific Committees, set up at Group level, especially the Risk and Internal Control Committee that receives the evidence resulting from the activities of the 3 departments engaged in control functions (Internal Audit, Compliance and Risk Management).

Other activities have started for even further strengthening of the internal controls system:
- Creation of the Credit Risk Control Division, responsible for portfolio review and sectoral analyses;
- Creation of a specific control on IT and IT security risk;
- Strengthening of controls on financial risks (liquidity, *Loi Bancaire Française* -LBF - Volker Rule).

Credit Risk

The Crédit Agricole Italia Banking Group continues to attach great importance to the management and control of credit risk, as a key precondition to ensure sustainable development over time, especially in the present economic situation that is showing signs of improvement but with still not firm trends.

The Group's lending operations are carried out by setting appropriate lending policy directions and guidelines on lending and credit risk management, in compliance with the corporate strategies and objectives, in order to selectively support the development of loans to the worthiest customers, as well as to limit and upgrade exposures to the riskiest Customers.

In the present economic situation, the Group has further strengthened its controls on the developments in the quality of the Loans-to Customers Portfolio, using both IT procedures and systematic monitoring, with the objective of making the monitoring on the riskiest exposures even more effective, 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.

At the same time, the Group has confirmed its commitment to provide support to households, to the real economy and to the productive System, steering appropriate lending measures aimed at developing and supporting business with the worthiest Customers.

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, has steered the actions implemented in the first half of 2017. Among the main actions, the following are worth specific mentioning:
- Start of the assessment 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;

- Assessments aimed at implementing a new evolved procedure for the management and control of collateral and guarantees, which will allow the process efficiency to be enhanced with specific regard – in the stage completed in the first half of 2017 – to mortgages that are more sensitive to credit risk mitigation processes;
- Continuation of the actions that started in 2014 within credit organisation tools and processes. Specifically, the preliminary activities were completed for the implementation of the new Electronic Loan Application Processing, aimed at optimizing the loan authorization process in order to:
  - Improve the service quality, reducing processing and response time and thus improving Customer Satisfaction;
  - Enhance the efficiency of the loan authorization process through guided directions, improving decision-making procedures and reducing recycles;
  - Work more effectively, reducing the overall processing time and, thus, being able to manage higher volumes.

Other evolutionary implementations on the functions of the EPC legal service platform, which, from being an accounting tool, has become a fully-integrated IT procedure supporting the management of Unlikely-to-Pay positions, from the very time the dossier is taken charge of by the Network and by the Central Departments.

Credit quality

Items	30.06.2017			31.12.2016		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
- Bad loans	2,967,409	1,742,645	1,224,764	2,919,533	1,691,113	1,228,420
- Unlikely to Pay	1,863,643	416,368	1,447,275	2,022,592	420,211	1,602,381
- of which “former Substandard loans”	1,297,079	302,017	995,062	1,350,845	293,693	1,057,152
- of which “former Restructured loans”	566,564	114,351	452,213	671,747	126,518	545,229
- Past-due/overlimit loans	66,459	5,474	60,985	82,057	7,951	74,106
Non-performing loans	4,897,511	2,164,487	2,733,024	5,024,182	2,119,275	2,904,907
Performing loans	36,879,814	159,442	36,720,372	35,484,623	180,251	35,304,372
Total	**41,777,325**	**2,323,929**	**39,453,396**	**40,508,805**	**2,299,526**	**38,209,279**

Items	30.06.2017			31.12.2016		
	Gross exposure weight	Net exposure weight	Coverage ratio	Gross Exposure weight	Net Exposure weight	Coverage ratio
- Bad loans	7.1%	3.1%	58.7%	7.2%	3.2%	57.9%
- Unlikely to Pay	4.5%	3.7%	22.3%	5.0%	4.2%	20.8%
- of which “former Substandard loans”	3.1%	2.5%	23.3%	3.3%	2.8%	21.7%
- of which “former Restructured loans”	1.4%	1.1%	20.2%	1.7%	1.4%	18.8%
- Past-due/overlimit loans	0.2%	0.2%	8.2%	0.2%	0.2%	9.7%
Non-performing loans	11.7%	6.9%	44.2%	12.4%	7.6%	42.2%
Performing loans	88.3%	93.1%	0.4%	87.6%	92.4%	0.5%
Total	**100.0%**	**100.0%**	**5.6%**	**100.0%**	**100.0%**	**5.7%**

In a market scenario still featuring less than firm signs of recovery, the consolidated lending volumes of the Crédit Agricole Italia Banking Group as at 30 June 2017 posted a significant increase of 3.3% vs. the same figure as at 31 December 2016.

The Tables summarizing Credit Quality show a good reduction in the overall stock of Non-Performing Loans, gross of any value adjustments, which decreased by Euro 126.7 million vs. 31 December 2016, thus confirming and improving the trend reported in 2016.

Subsequent to this change, in the first half of 2017 the weight of non-performing exposures on total loans to customers was 11.7%, decreasing vs. the same figure as at 31 December 2016 of 12.4%, with a reduction, in terms of amounts, in the categories of bad loans and Unlikely-to-Pay exposures.

The perimeter-wide coverage ratio of non-performing loans came to 44.2%, significantly increasing (by 2 percentage points) vs. 31 December 2016.

Market risk

TRADING BOOK

The Group does not carry out proprietary trading activities in financial and capital markets. Nevertheless, there are residual positions resulting from its placement and trading activities carried to meet customers' requests.

BANKING BOOK

Asset Liability Management regards all the Banking Book positions, with specific focus on fixed-rate positions, and takes account of the effects that interest rate fluctuations may have on the Group's profits and economic value.

The Group manages interest rate risk on all assets and liabilities recognized in the Financial Statements, defining, through the adoption of internal models, the cumulative gap for each time bucket generated by the difference between the existing fixed-rate assets and liabilities. The ALM Committee proposes the relevant limits to the Group Risk Management Committee of the Controlling Company Crédit Agricole S.A. by periodically submitting a Risk Strategy document, and the proposed limits are subsequently submitted for approval to the Boards of Directors of the single entities. In line with the instructions issued by Crédit Agricole S.A., a set of limits (in absolute value) on the gap was added to the global limit, defined in terms of Current Net Value (CNV) and representing the maximum risk level acceptable for the Group.

Global limits on the banking book price risk are set based on the types of instruments that can be held (Italian, German and French Government Bonds) and are expressed with reference to the maximum nominal value that can be held and to the potential loss in stress conditions.

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 optional component of mortgage loans with cap to Customers (macro-hedging), government securities in liquidity reserves (asset-swap hedging) and fixed-rate gaps detected by the internal model, which have been subject to macro-hedging.

Liquidity risk

The system for Liquidity Risk classification and management aims at ensuring continuity of essential business activities considering illiquidity risk and any reduction in resources. The management model includes methods for risk measurement and aggregation and for stress testing, which are compliant with the EU legislation and with the standards of the liquidity management system of the Crédit Agricole SA Group.

The limit system is based on stress scenarios, with the purpose of ensuring a liquidity surplus on different time horizons and in increasingly serious scenarios. The stress assumptions used cover idiosyncratic crises, systemic crises and global crises.

The limit structure is completed by a set of management and alert indicators provided for in the Contingency Funding Plan.

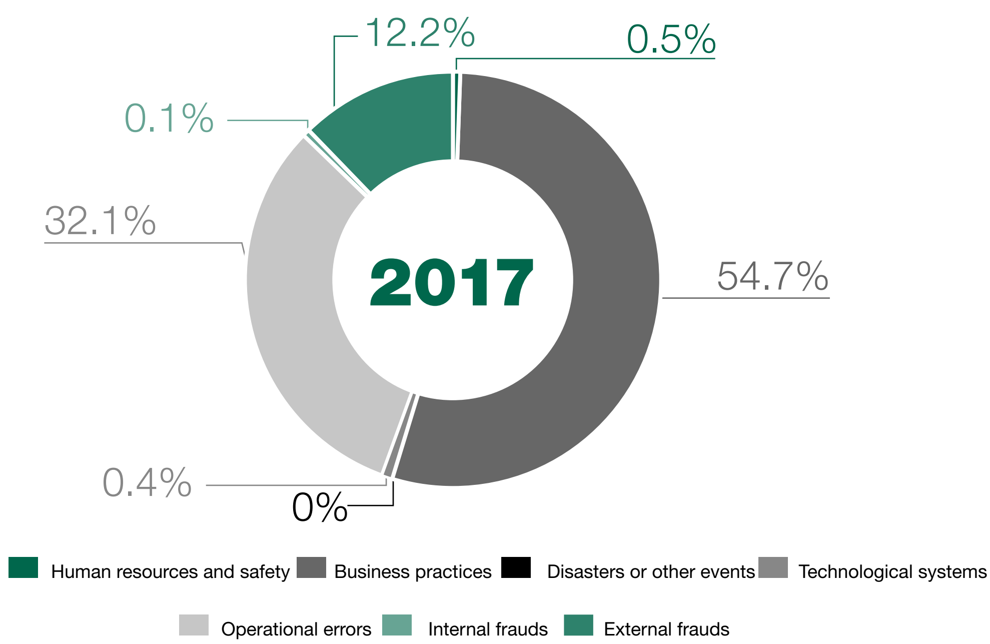
As at 30 June 2017, the Group Liquidity Coverage Ratio (LCR) was 143.66%, firmly above the set compliance requirements.

Operational risks

BREAKDOWN OF LOSSES

Operational losses recognized in the first half of 2017 came to approximately Euro 3.7 million.

As regards the sources of operational risk, the breakdown of losses as at the end of June by type of event (LET, "Loss Event Type") is given below, net of recoveries and excluding boundary losses.



BUSINESS COMBINATIONS CONCERNING COMPANIES OR BUSINESS UNIT

Transactions in the period

In the first half of 2017, the Crédit Agricole Italia Banking Group did not carry out any business combinations.

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*".

The Crédit Agricole Italia Banking Group had already adopted a Regulation on transactions with related parties implementing the original CONSOB regulation of 2010; afterwards, in accordance with the regulation issued by the Bank of Italy, Crédit Agricole Cariparma approved the Document "Regulation for Risk Activities and Conflicts of Interests with Associated Persons of the Cariparma Crédit Agricole 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.

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 timeframes for the provision of reporting and appropriate documentation on the transactions to be resolved on (i) to independent directors, as well as, where necessary, (ii) to the control bodies.

As 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 of the Crédit Agricole Italia Banking Group are the following:

a) corporate officers, namely the members of the Board of Directors, of the Board of Auditors and of the Senior Management of the Companies of 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 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, 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 Cariparma Crédit Agricole 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 Banks belonging to the Group refer to the same perimeter of associated persons as determined by the Parent Company Crédit Agricole Cariparma.

Information on transactions with relates parties

Transactions with related parties are the transfer of resources, services or obligations between the Company (or companies directly and/or indirectly controlled) and one or more related parties, independently of whether or not a consideration has been provided for.

Transactions carried out with related parties have followed the specific procedures provided for by the above Regulation.

In the first half of 2017, no atypical or unusual transactions were carried out whose size/materiality might have jeopardized or affected the protection of corporate assets and of minority interests.

TYPE OF RELATED PARTIES	Financial assets held for trading	Financial assets available for sale	Loans to Customers	Due From Banks	Due to Customers	Due to Banks	Guarantees issued
Controlling Company				532,157		994,134	5,798
Entity exercising significant influence on Company					33,990		
Associates	185		22,623		4,203		85
Directors and Managers with strategic responsibilities			2,098		4,277		
Other related parties	6,899	2,528	4,065,538	553,436	812,431	76,827	94,147
Total	**7,083**	**2,528**	**4,090,259**	**1,085,592**	**854,901**	**1,070,961**	**100,030**

Certification of the Interim Condensed Financial Statements pursuant to Article 154-*bis* of Italian Legislative Decree No. 58/1998

CRÉDIT AGRICOLE
CARIPARMA

1. The undersigned Giampiero Maioli, Chief Executive Officer, and Pierre Debourdeaux,Manager responsible for preparing of the Company's financial reports of Cariparma S.p.A., taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998, do hereby certify:
   - the adeguacy in relation to the Company's features an
   - the actual application of the administrative and accounting procedures employed for drawing up the condensed consolidated half-yearly financial statements, in the first half of 2017.

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

3. The undersigned also certify that:

   3.1 The condensed consolidated half-yearly financial statements:

   a) have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and the Council Regulation 1606/2002 of 19 July 2002;

   b) correspond to the results of the books and accounts;

   c) give a true and correct representation of the capital, economic and financial situation of the Issuer and of the companies included in the consolidation.

   3.2 The half-yearly report on operations contains indications of the most significant events in the first six months of the year and their impact on the condensed consolidated half-yearly financial statements, together with a description of the main risks and uncertainties faced in the remaining six months of the year as well as information on significant related party transactions.

Parma, 26 luglio 2017

Giampiero Maioli
Chief Executive Officer

Pierre Débourdeaux
Manager responsible for preparing the Company's financial reports

Independent Auditors' Review Report

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Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

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

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows and the related explanatory notes of Crédit Agricole Cariparma S.p.A. and its subsidiaries (the "Crédit Agricole Italia Banking Group") as of 30 June 2017. The Directors of Crédit Agricole Cariparma S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of the Crédit Agricole Italia Banking Group as of June 30, 2017 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 2, 2017

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

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

Annexes

Financial Statements of the Parent Company

BALANCE SHEET

Assets		30.06.2017	31.12.2016
10.	Cash and cash equivalents	119,222,259	151,933,344
20.	Financial assets held for trading	68,400,517	83,270,749
30.	Financial assets designated at fair value	-	-
40.	Financial assets available for sale	4,163,209,005	4,177,226,250
50.	Investments held to maturity	1,570,761,545	-
60.	Loans to banks	6,794,119,430	6,384,763,230
70.	Loans to Customers	29,831,770,673	28,915,279,823
80.	Hedging derivatives	477,252,716	558,160,178
90.	Fair value change of financial assets in macro-hedge portfolios (+/-)	12,031,806	5,088,139
100.	Equity investments	1,328,034,417	1,311,391,190
110.	Property, plant and equipment	309,759,464	305,724,109
120.	Intangible Assets	1,026,050,956	1,034,163,580
	of which: goodwill	922,339,723	922,339,723
130.	Tax assets	793,378,335	889,533,718
	(a) current	153,193,725	254,527,497
	(b) deferred	640,184,610	635,006,221
	b1) pursuant to Italian Law No. 214/2011	575,790,768	575,759,974
140.	Non-current assets held for sale and discontinued operations	-	-
150.	Other assets	427,396,256	307,687,233
Total assets		**46,921,387,379**	**44,124,221,543**

Liabilities and Equity		30.06.2017	31.12.2016
10.	Due to Banks	7,135,164,352	6,089,789,805
20.	Due to Customers	24,399,329,168	23,426,471,642
30.	Debt securities issued	7,916,827,258	7,590,089,999
40.	Financial liabilities held for trading	76,235,173	93,853,272
50.	Financial liabilities designated at fair value	-	-
60.	Hedging derivatives	613,380,743	595,981,955
70.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	290,094,483	390,588,205
80.	Tax liabilities	100,223,642	125,349,299
	(a) current	52,225,721	82,843,406
	b) deferred	47,997,921	42,505,893
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
100.	Other liabilities	1,201,408,470	617,284,484
110.	Employees' severance benefits	93,598,018	99,111,309
120.	Provisions for risks and charges	131,873,570	148,068,783
	(a) Post-employment benefits	15,706,703	16,377,053
	b) other provisions	116,166,867	131,691,730
130.	Valuation reserves	-5,789,614	-5,348,700
140.	Redeemable shares	-	-
150.	Equity instruments	200,000,000	200,000,000
160.	Reserves	1,015,004,122	935,194,662
170.	Share premium	2,736,003,683	2,736,003,683
180.	Share Capital	876,761,620	876,761,620
190.	Treasury shares (+/-)	-	-
200.	Net Profit (loss) for the period	141,272,691	205,021,525
Total liabilities and equity		**46,921,387,379**	**44,124,221,543**

INCOME STATEMENT

Items		30.06.2017	30.06.2016
10.	Interest income and similar revenues	369,654,688	400,236,053
20.	Interest expense and similar charges	(68,975,366)	(91,524,255)
30.	**Net interest income**	**300,679,322**	**308,711,798**
40.	Fee and commission income	274,468,033	246,567,333
50.	Fee and commission expenses	(14,196,019)	(11,057,534)
60.	**Net fee and commission income**	**260,272,014**	**235,509,799**
70.	Dividends and similar income	49,911,619	49,862,302
80.	Profit (losses) on trading activities	7,151,546	2,141,854
90.	Profit (losses) on hedging activities	(3,643,462)	(1,151,504)
100.	Profit (loss) on disposal or repurchase of:	(15,272,911)	19,284,293
	a) loans	(18,799,047)	(4,149,003)
	b) financial assets available for sale	4,112,685	24,323,912
	c) investments held to maturity	-	-
	d) financial liabilities	(586,549)	(890,616)
110.	Net profit (loss) on financial assets and liabilities designated at fair value	-	-
120.	**Net interest and other banking income**	**599,098,128**	**614,358,542**
130.	Net impairment losses/recoveries on:	(70,169,502)	(90,880,566)
	a) loans	(67,100,955)	(91,305,906)
	b) financial assets available for sale	(1,601,483)	(39,424)
	c) investments held to maturity	-	-
	d) other financial activities	(1,467,064)	464,764
140.	**Net income from banking activities**	**528,928,626**	**523,477,976**
150.	Administrative expenses:	(449,943,337)	(434,000,697)
	a) personnel expenses	(204,611,335)	(200,487,300)
	b) other administrative expenses	(245,332,002)	(233,513,397)
160.	Net provisions for risks and charges	(5,268,566)	(4,446,514)
170.	Impairment to/recoveries on property, plant and equipment	(6,668,312)	(6,597,328)
180.	Impairment to/recoveries on intangible assets	(8,112,624)	(8,135,157)
190.	Other operating expenses/income	121,610,807	112,440,838
200.	**Operating costs**	**(348,382,032)**	**(340,738,858)**
210.	Profit (losses) on equity investments	7,151,465	9,721,864
220.	Net profit (loss) on property, plant and equipment and intangible assets designated at fair value	-	-
230.	Impairment on goodwill	-	-
240.	Profit (losses) on disposal of investments	(10,866)	52,163
250.	**Profit (loss) before taxes from continuing operations**	**187,687,193**	**192,513,145**
260.	Taxes on income for the period from continuing operations	(46,414,502)	(51,317,601)
270.	**Profit (loss) from continuing operations, net of taxes**	**141,272,691**	**141,195,544**
280.	**Profit (loss) from discontinued operations, net of taxes**	-	-
290.	**Profit (loss) for the period**	**141,272,691**	**141,195,544**

STATEMENT OF COMPREHENSIVE INCOME

Items		30.06.2017	30.06.2016
10.	**Profit (loss) for the period**	**141,272,691**	**141,195,544**
	Other comprehensive income after taxes with not reversed in profit or loss		
20.	Property, plant and equipment	-	-
30.	Intangible Assets	-	-
40.	Actuarial profit (losses) on defined-benefit plans	(197,153)	(2,804,373)
50.	Non-current assets held for sale	-	-
60.	Share of Valuation Reserves on equity investments measured using the equity method	-	-
	Other comprehensive income after taxes reversed in profit or loss		
70.	Hedges of foreign investments	-	-
80.	Exchange rate differences	-	-
90.	Cash flow hedges	-	-
100.	Financial assets available for sale	(243,761)	(47,033,895)
110.	Disposal groups	-	-
120.	Share of Valuation Reserves on equity investments measured using the equity method	-	-
130.	**Total other comprehensive income after taxes**	**(440,914)**	**(49,838,268)**
140.	**Comprehensive income (Item 10+130)**	**140,831,777**	**91,357,276**

STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2017

	Share Capital: ordinary shares	Share Premiums reserve	Reserves:		Valuation reserves	Equity instruments	Profit/(Loss) for the period	Shareholders' equity
			Retained earnings	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 THE PROFIT								-
FOR THE PREVIOUS PERIOD								-
Reserves	-	-	86,936,877	-	-	-	-86,936,877	-
Dividends and other allocations	-	-	-	-	-	-	-118,084,648	-118,084,648
CHANGES FOR THE PERIOD						-		-
Change in reserves	-	-	674,250	-	-	-	-	674,250
Transactions on equity						-		-
Issue of new shares	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-7,801,667	-	-	-	-	-7,801,667
Derivatives on treasury shares	-	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-440,914	-	141,272,691	140,831,777
EQUITY AS AT 30 JUNE 2017	**876,761,620**	**2,736,003,683**	**1,012,214,776**	**2,789,346**	**-5,789,614**	**200,000,000**	**141,272,691**	**4,963,252,502**

STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2016

	Share Capital: ordinary shares	Share Premiums reserve	Reserves:		Valuation reserves	Profit/(Loss) for the period	Shareholders' equity
			Retained earnings	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 THE PROFIT							-
FOR THE PREVIOUS PERIOD							-
Reserves	-	-	57,333,406	-	-	-57,333,406	-
Dividends and other allocations	-	-	-	-	-	-159,167,796	-159,167,796
CHANGES FOR THE PERIOD							-
Change in reserves	-	-	-	-	-	-	-
Transactions on equity							-
Issue of new shares	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-
Change in equity instruments	-	-	-	-	-	-	-
Derivatives on treasury shares	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-49,838,268	141,195,544	91,357,276
EQUITY AS AT 30 JUNE 2016	**876,761,620**	**2,736,003,683**	**932,405,316**	**2,360,911**	**17,523,298**	**141,195,544**	**4,706,250,372**

STATEMENT OF CASH FLOWS

	30.06.2017	30.06.2016
A. OPERATIONS		
1. Cash flow from (used in) operations	**332,291,292**	**331,906,457**
- profit (loss) for the period (+/-)	141,272,691	141,195,544
- net gains (losses) on financial assets held for trading and financial assets/ liabilities designated at fair value (-/+)	-3,377,363	1,376,519
- gains/losses on hedging activities (-/+)	2,856,093	2,794,109
- net losses/recoveries on impairment (+/-)	58,587,514	81,158,702
- impairment/recoveries on property, plant and equipment and intangible assets (+/-)	14,780,936	14,732,485
- net provisions for risks and charges and other expenses/revenues (+/-)	5,268,566	4,446,514
- unpaid taxes and levies (+)	46,414,502	51,317,601
- other adjustments (+/-)	66,488,353	34,884,983
2. Cash flows from/used in financial assets	**-1,685,678,650**	**309,721,827**
- financial assets held for trading	18,247,595	8,819,790
- financial assets designated at fair value	-	-
- financial assets available for sale	-42,785,405	108,329,323
- loans from banks: demand	-135,861,773	-108,888,492
- loans from banks: other loans	-273,494,427	1,249,627,260
-loans to customers	-1,050,774,784	-886,780,698
- other assets	-201,009,856	-61,385,356
3. Cash flows from/used in financial liabilities	**2,993,243,857**	**-1,714,740,086**
- due to banks: demand	-77,998,871	115,644,142
- due to banks: other payables	1,168,545,024	-1,564,487,959
- due to customers	995,619,456	616,992,718
- debt securities issued	396,789,570	-1,209,919,127
- financial liabilities held for trading	-17,618,099	-6,873,098
- other liabilities	527,906,777	333,903,238
Net cash flows from/used in operating activities	**1,639,856,499**	**-1,073,111,802**
B. INVESTING ACTIVITIES		
1. Cash flow from	**50,775,864**	**50,162,302**
- sales of equity investments	-	300,000
- dividends received collected on equity investments	49,911,619	49,862,302
- sales of property, plant and equipment	-	-
- sales of intangible assets	-	-
- sales of business units	864,245	-
2. Cash flows used in	**-1,597,457,133**	**-15,552,212**
- purchases of equity investments	-15,968,977	-
- purchases of investments held to maturity	-1,570,761,545	-
- purchases of property, plant and equipment	-10,726,611	-15,552,212
- purchases of intangible assets	-	-
- purchases of business units	-	-
Net cash flow from/used in investing activities	**-1,546,681,269**	**34,610,090**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	-	-
- issues/purchases of equity instruments	-7,801,667	-
- distribution of dividends and other scope	-118,084,648	-159,167,796
Net cash flows from/used in funding activities	**-125,886,315**	**-159,167,796**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	**-32,711,085**	**-1,197,669,508**

RECONCILIATION

Financial Statement items	30.06.2017	30.06.2016
Cash and cash equivalents at the beginning of the period	151,933,344	1,311,618,708
Total net increase/decrease in cash and cash equivalents for the period	-32,711,085	-1,197,669,508
Cash and cash equivalents at the end of the period	**119,222,259**	**113,949,200**

KEY: (+) from (–) used in

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

	30.06.2017	
	Equity	of which: Profit for the period
Balances of the Parent Company accounts	**4,963,253**	**141,273**
Effect of consolidation of subsidiaries	122,023	31,894
Effect of the equity method accounting of significant equity investments		
Dividends received in the period		42,189
Other changes		
Consolidated account balances	**5,085,276**	**130,978**

CONTACT

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