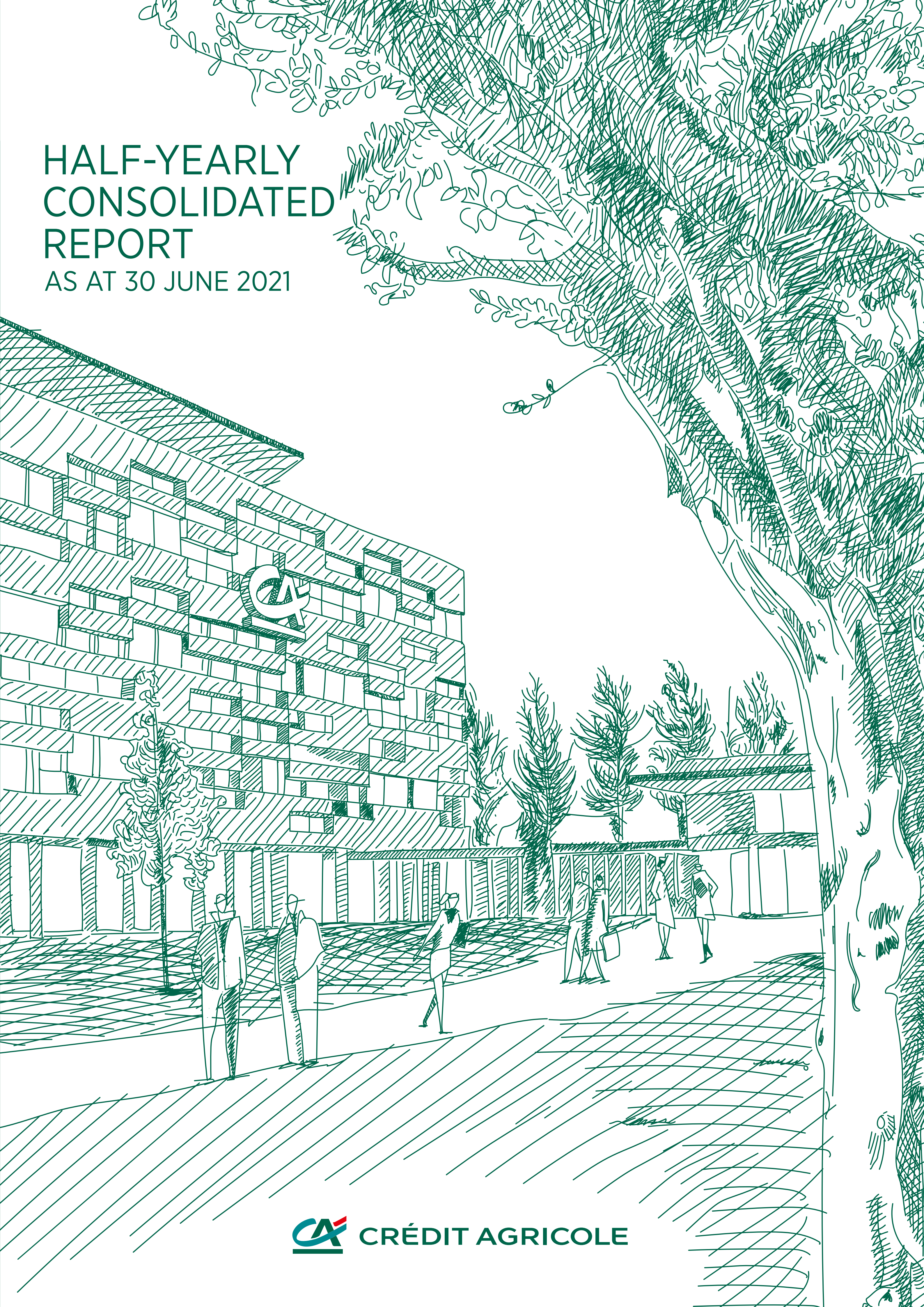
HALF-YEARLY CONSOLIDATED REPORT
AS AT 30 JUNE 2021



CRÉDIT AGRICOLE

Crédit Agricole Italia Banking Group

Half-yearly Consolidated Report as at 30 June

2021

Table of Contents

01 Corporate Officers and Independent Auditors 4

02 The Crédit Agricole Group 6

03 The Crédit Agricole Group in Italy 7

04 The Crédit Agricole Italia Banking Group 9

05 Financial highlights and performance measures 12

06 Half-yearly Report on Operations 14

07 Half-yearly Condensed Consolidated Financial Statements 31

08 Financial Statements 32

09 Note to the Half-yearly Condensed Consolidated Financial Statements 40

10 Independent Auditors' Report 89

11 Annexes 91

Corporate Officers and Independent Auditors

Board of Directors

CHAIRMAN

Ariberto Fassati

DEPUTY-CHAIRPERSONS

Xavier Musca

Annalisa Sassi(*)

CHIEF EXECUTIVE OFFICER

Giampiero Maioli(*)

DIRECTORS

Evelina Christillin(°)

François Edouard Drion(*)

Daniel Epron

Anna Maria Fellegara(°)

Lamberto Frescobaldi

Franceschi Marini(°)

Nicolas Langevin

Hervé Le Floc'h

Paolo Maggioli(°)

Michel Mathieu

Andrea Pontremoli(*)

Christian Valette(*)

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

General Management

VICE GENERAL MANAGERS

Roberto Ghisellini

Olivier Guilhamon

Vittorio Ratto

Board of Auditors

CHAIRMAN

Paolo Alinovi

STANDING AUDITORS

Luigi Capitani

Maria Ludovica Giovanardi

Stefano Lottici

Germano Montanari

ALTERNATE AUDITORS

Alberto Cacciani

Roberto Perlini

MANAGER IN CHARGE OF THE PREPARATION OF CORPORATE ACCOUNTING DOCUMENTS

Pierre Débourdeaux

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.(*)

(*) Since April 2021

The Crédit Agricole Group

1°
FIRST

RETAIL BANK IN THE EUROPEAN UNION*	ASSET MANAGER IN EUROPE	BANCASSURER IN FRANCE

Key figures

52 MILLION
CUSTOMERS

48
COUNTRIES

142,000
PERSONNEL MEMBERS

6.1 MLN€
UNDERLYING NET INCOME

119.6 BLN€
EQUITY- GROUP SHARE

17.2%**
CET1 RATIO

Rating

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

* 34.9 million retail customers in France, Italy and Poland in Retail Banking.

** Phased-in.

Figures as at 31 December 2020; number of customers and personnel as at 30 June 2021.

The Crédit Agricole Group in Italy

TOP 3

PLAYER IN THE ITALIAN CONSUMER FINANCE MARKET*

3° THIRD

ASSET MANAGER IN ITALY**

Key figures

OVER 5 MILLION
CUSTOMERS

OVER 17,000
PERSONNEL MEMBERS

737 BLN€***
NET INCOME - GROUP SHARE

3.4 BLN€
NET OPERATING REVENUES

270 BLN€****
CUSTOMERS' DEPOSITS AND FUNDS UNDER MANAGEMENT

78 BLN€
LOANS TO CUSTOMERS

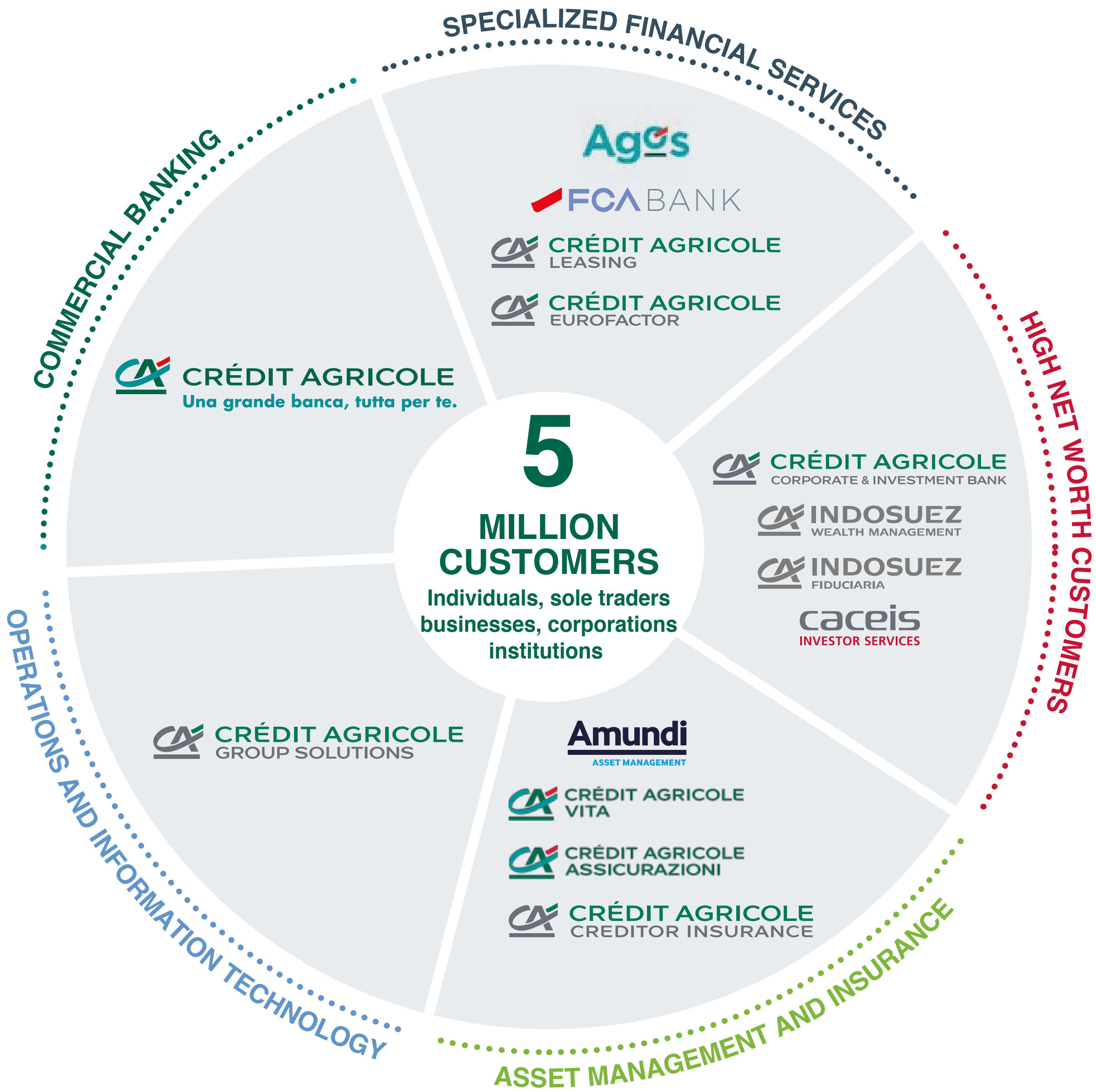
* Source: Agos and FCA Bank.

** Source: Assogestioni, "Mappa trimestrale del Risparmio Gestito", 3Q 2020. Data gross of duplications.

*** Of which 571 Mln€ attributable to the Crédit Agricole S.A. Group.

**** Including "out-of-Group" Amundi AuM and CECEIS Assets under Custody.

The Group's offer in Italy



The Crédit Agricole Italia Banking Group

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

OVER 2.7 MILLION
CUSTOMERS

APPROX. 13,000
PERSONNEL MEMBERS

206* MLN€
NET INCOME - GROUP SHARE

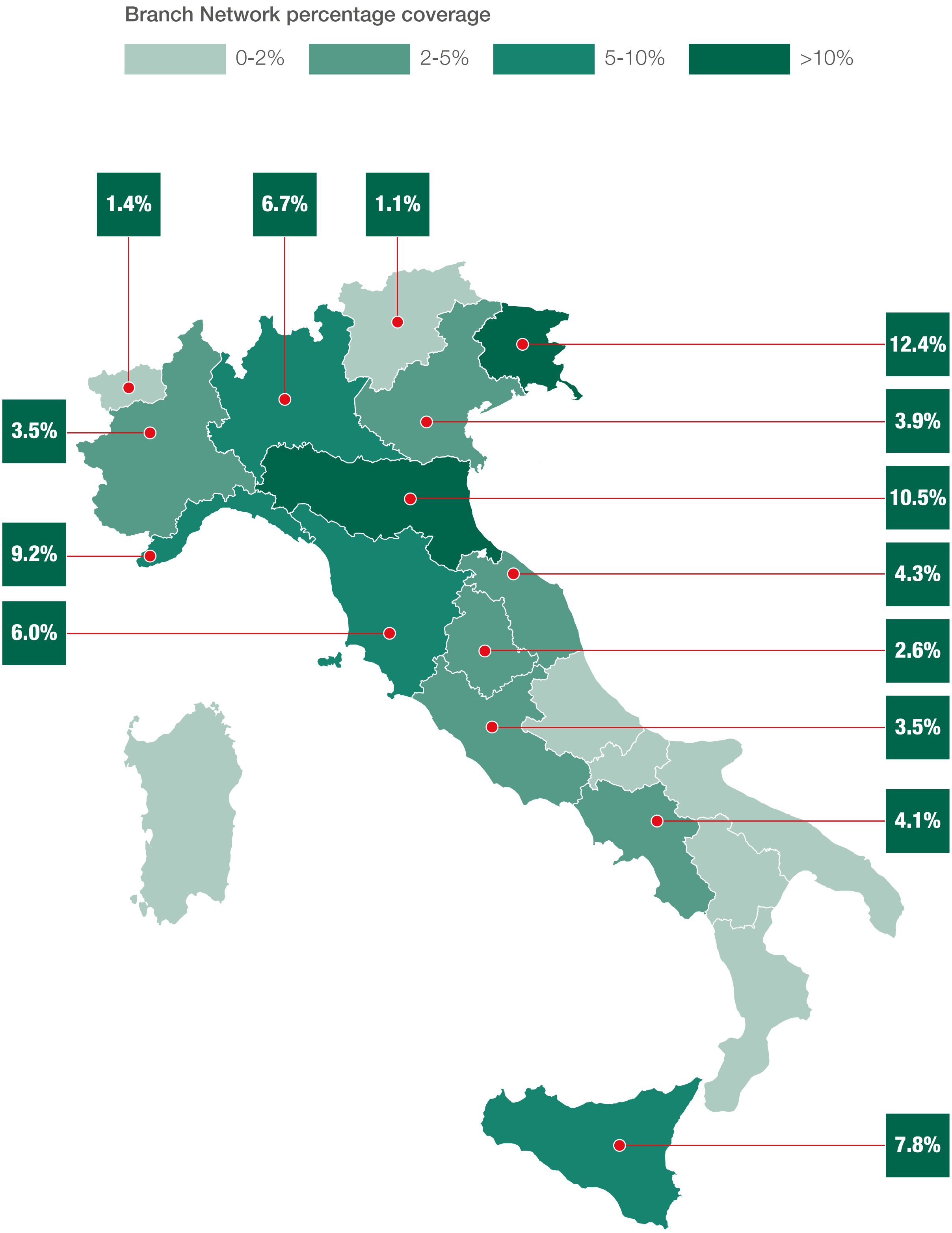
2 BLN€
NET OPERATING REVENUES

OVER
1,300
POINTS OF SALE

OVER
50 BLN€
TOTAL LOANS

* Excluding impairment losses on goodwill.
Figures as at 31 December 2020; number of customers and personnel as at 30 June 2021.

Branch Network percentage coverage by Region



System figure - source: Bank of Italy as at 31 March 2021.
CA Italia Group figure as at 30 June 2021.

CRÉDIT AGRICOLE

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

830	**43.4 BLN€**	**117.4 BLN€**
POINTS OF SALE	LOANS	TOTAL FUNDING

CRÉDIT AGRICOLE FRIULADRIA

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

195	**8.1 BLN€**	**17.9 BLN€**
POINTS OF SALE	LOANS	TOTAL FUNDING

Creval

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

355	**14.4 BLN€**	**28.7 BLN€**
POINTS OF SALE	LOANS	TOTAL FUNDING

CRÉDIT AGRICOLE LEASING

The Crédit Agricole Italia Banking Group's leasing entity. Crédit Agricole Leasing Italia **operates in the equipment, vehicle, real estate, seacraft and aircraft and renewable energy** financial leasing segments.

CRÉDIT AGRICOLE GROUP SOLUTIONS

CAGS is the consortium company of the **Crédit Agricole Italia Banking Group** in 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.

Financial highlights and performance measures

The consolidated results for H1 2021 report also the profit/loss and financial effects of Creval from the date of its acquisition, i.e. for May and June.

The absolute and percentage changes reported in the tables below have been calculated net of Creval contribution.

Income Statement highlights(°) (thousands of Euro)	30.06.2021	30.06.2021 net of Creval	30.06.2020	Changes	
				Absolute	%
Net interest income	523,695	468,199	479,838	-11,639	-2.4
Net fee and commission income	522,691	483,086	411,413	71,673	17.4
Dividends	10,608	10,600	10,378	222	2.1
Profit (loss) on financial activities	42,186	40,284	1,175	39,109	ns
Other operating income (expenses)	-339	-2,325	10,825	-13,150	ns
Net operating revenues	1,098,841	999,844	913,629	86,215	9.4
Operating expenses	-679,354	-610,981	-608,121	2,860	0.5
Operating margin	419,487	388,863	305,508	83,355	27.3
Cost of Risk(a)	-150,011	-131,464	-228,841	-97,377	-42.6
Of which net impairment losses on loans	-145,292	-126,687	-224,549	-97,862	-43.6
Creval consolidation difference after provisional PPA	377,632			-	-
Profit for the period net of the provisional consolidation difference, Creval acquisition/ integration expenses and alignment of coverage of performing loans	220,138	211,009	96,824	114,185	ns

Balance Sheet highlights(°) thousands of Euros)	30.06.2021	30.06.2021 net of Creval	31.12.2020	Changes	
				Absolute	%
Loans to Customers	77,433,085	59,059,589	58,306,963	752,626	1.3
Of which securities measured at amortized cost	11,487,580	7,967,016	8,070,821	-103,805	-1.3
Net financial Assets/Liabilities at fair value	208,088	52,808	47,449	5,359	11.3
Financial assets measured at fair value through other comprehensive income	4,539,831	3,388,828	3,307,045	81,783	2.5
Equity investments	42,635	882,840	20,483	862,357	ns
Property, plant and equipment and intangible assets	2,992,840	2,516,155	2,570,520	-54,365	-2.1
Total net assets	89,316,128	68,934,894	67,555,194	1,379,700	2.0
Funding from Customers	72,223,731	54,302,305	54,959,033	-656,728	-1.2
Indirect funding from Customers	89,639,789	78,787,158	75,425,320	3,361,838	4.5
of which: asset management	50,551,115	42,347,631	39,893,012	2,454,619	6.2
Net due to banks	4,510,887	3,638,293	2,588,795	1,049,498	40.5
Equity	7,086,886	6,723,879	6,350,878	373,001	5.9

Operating structure	30.06.2021	30.06.2021 net of Creval	31.12.2020	Changes	
				Absolute	%
Number of employees	13,222	9,739	9,740	-1	ns
Average number of employees(§)	12,401	9,129	9,102	27	0.3
Number of branches	1,226	871	871	-	ns

(°) Balance sheet and Income statement data are those restated in the reclassified financial statements shown on pages 60 and 66.
(a) The cost of risk includes provisions for risks and charges, net impairment losses on loans and impairment losses on securities.
(§) The average number has been calculated as the weighted average of employees and atypical workers, where the weight is the number of months worked in the year; part-time personnel is conventionally weighted at 50%

Structure ratios(°)	30.06.2021	30.06.2020 net of Creval	31.12.2020
Loans to Customers /Total net assets	73.8%	74.1%	74.4%
Direct funding from Customers/Total net assets	80.9%	78.8%	81.4%
Asset management/Total indirect funding from Customers	56.4%	53.7%	52.9%
Loans to Customers/ Direct funding from Customers	91.3%	94.1%	91.4%
Total net assets/Equity	14.6	11.7	12.0

Profitability ratios(°)	30.06.2021	30.06.2020 net of Creval	30.06.2020
Net interest income/Net operating income	47.7%	46.8%	52.5%
Net fee and commission income/Net operating income	47.6%	48.3%	45.0%
Cost(*) /income ratio	58.8%	58.1%	63.8%
Net income/ Average equity (ROE)(a)(#)	6.8%	6.5%	3.0%
Net income/ Average Tangible Equity (ROTE)(a)(#)	9.0%	8.62%	4.2%
Net income(#) / Total assets (ROA)	0.4%	0.5%	0.3%
Net income(#) / Risk-weighted assets	1.3%	N.a.	0.7%

Risk ratios(°)($)	30.06.2021	30.06.2020 net of Creval	31.12.2020
Gross bad loans/Gross loans to Customers	2.8%	2.9%	2.9%
Net bad loans/Net loans to Customers	0.9%	0.9%	0.9%
Gross non-performing exposures/Gross loans to customers (gross NPE ratio)	5.7%	5.6%	5.8%
Net non-performing exposures/Net loans to customers (net NPE ratio)	2.8%	2.7%	3.0%
Net impairment losses on loans//Net loans to Customers	0.4%	0.5%	0.8%
Cost of risk(b)/Operating margin	35.8%	33.8%	65.8%
Net bad loans/Total Capital(c)	8.5%	N.a.	8.7%
Total Impairments of non-performing loans/Gross non-performing loans	52.1%	53.2%	51.2%
Total Impairments of performing loans/Gross performing loans	0.6%	0.6%	0.6%

The profitability ratios have been calculated net of the negative goodwill; risk ratios haves been calculated net of the Creval PPA provisional component.

Productivity ratios(°) (in income terms)	30.06.2021	30.06.2020 net of Creval	31.12.2020
Operating expenses/No. of Employees (average)	110	135	136
Operating income/No. of Employees (average)	179	221	207

Productivity ratios (in financial terms)	30.06.2021	30.06.2020 net of Creval	31.12.2020
Loans to Customers/No. of employees (average)	5,318	5,597	5,519
Direct funding from Customers/No. of Employees (average)	5,824	5,948	6,038
Gross banking income(f) /No. of Employees (average)	18,370	20,175	19,844

Capital and liquidity ratios	30.06.2021	30.06.2020 net of Creval	31.12.2020
Common Equity Tier 1(d) /Risk-weighted assets (CET 1 ratio)	11.6%	N.a.	14.0%
Tier 1(e) / Risk-weighted assets (Tier 1 ratio)	13.6%	N.a.	16.6%
Total Capital(c) /Risk-weighted assets (Total capital ratio)	16.5%	N.a.	19.7%
Risk-weighted assets (Euro thousands)	34,916,229	N.a.	27,336,813
Liquidity Coverage Ratio (LCR)	262%	273%	242%

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements shown on pages 60 and 66.
(*) Ratio calculated excluding ordinary and extraordinary contributions to support the banking system
(#) Data calculated net of the provisional consolidation difference and of the alignment of coverage of performing loans.
($) Data calculated net of Creval PPA provisional component and of the adjusted coverage of performing loans.
(a) The ratio of net earnings to the equity weighted average (for ROTE net of intangibles).
(b) The cost of risk includes provisioning for risks and charges, net impairment losses on loans and impairment losses on securities
(c) Total Capital: total regulatory own funds.
(d) Common Equity Tier 1: Common Equity Tier 1
(e) Tier 1: Tier 1 Capital.
(f) Loans to Customers + Direct Funding + Indirect Funding

Half-yearly Report on Operations

THE MACROECONOMIC SCENARIO AND THE FINANCIAL SYSTEM

INTERNATIONAL MACROECONOMIC SCENARIO IN THE FIRST HALF OF 2021[1]

The international economic scenario in H1 2021 confirmed the convincing signs of recovery that had already emerged in the last part of 2020, thanks mainly to some key factors, such as the progressive vaccination rollout and the announcement of further fiscal support measures, which are contributing to the improvement in global confidence. The economic revival spread unevenly across Countries and productive sectors: the manufacturing industry continued in its recovery process, driving the volumes of world trade of goods, whereas the service sector is still being affected by social distancing measures. The European Commission's forecasts for 2021 indicate a strong recovery in the Gross World Product, at a growth rate able to ensure full offsetting of the contraction it posted last year (+5.6% vs. -3.4% in 2020).

In the first months of the year, the economic cycle strengthened in China and in the United States, whereas, in the Euro Area, economic activities slowed down due to the implementation of further containment measures, which were deployed to curb COVID third wave. In Q1 2021, China's GDP increased by +0.6% on a cyclical basis (+6.5% in Q4 2020) showing good signs across all aggregates. In Q1, economic activities in the United States further strengthened (+1.6% the cyclical growth in Q1, +1.1% in the previous quarter), featuring recovery in consumption and investments, which benefited from the considerable fiscal stimulus programme.

Conversely, the economic cycle in the Euro Area is still being affected by the ongoing social distancing measures, although they are being progressively eased. In Q1, the Gross Domestic Product decreased even further (with the cyclical decreased being -0.6% and -0.7% in Q1 and in the previous quarter) caused by the marked slowdown in activities in Germany (-1.8%). Nonetheless, a marked improvement is expected in the coming months, which will be mainly driven by the lower number of COVID cases, as well as by the first tranches of New Generation EU financial resources becoming available. Moreover, the European Commission's forecasts have estimated full recovery of the Euro Area economy in the 2021-22 two-year period, with the GDP growing by +4.3% and +4.4%, respectively. Such a significant growth will also benefit the EU aggregate deficits, which, in 2020, increased to approximately 7% of the GDP, mainly because of the measures that Governments deployed to support households, workers and businesses hit by COVID-19, and because of automatic stabilizers.

Furthermore, the economic cycle recovery went alongside accelerating inflation worldwide, which was driven by higher prices of oil and commodities generating impacts in the various phases of the price system design. In this regard, inflation in the Euro Area is expected to remain very volatile, reaching a high yet temporary level in 2021 and then to stabilize at around 1.0%-1.1% in 2022[2],

Monetary policies

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

- The **Fed** confirmed its monetary policy, leaving rates unchanged and ranging between 0.00% and 0.25%, reasserting that full employment is the key in the United States' monetary policy. Therefore, the Central Bank of the United States is going to keep interest rates at the present levels until the economy reaches full employment and the inflation rate stabilizes at 2% in the long term, confirming the assumed temporary nature of the increase in inflation. The Federal Reserve is going to continue with its purchases of Government securities at a pace of at least 80 billion Dollars a month, while Chairman Powell confirmed that, although some initial discussions on tapering (i.e. the gradual reduction in purchase amounts) were held, the conditions to start it are still far from being met[2];

1 Source: ISTAT (the Italian National Institute of Statistics) Italy's economic outlook 2021-2022 (June 2021)
2 Source: ECO, Macroeconomic scenario No.21/142 (April 2021).

- The **European Central Bank** decided to continue with the accommodative stance of its monetary policy, confirming the measures resolved at the previous meetings of the Governing Council. Interest rates have been kept unchanged: the reference rate continues to be zero, while the deposit facility rate is negative, at -0.5%. The Governing Council set the envelope of the pandemic emergency purchase programme (PEPP) at Euro 1,850 billion, and extended the horizon of net purchases under the PEPP "to at least the end of March 2022" and, in any case, "the Governing Council will conduct net purchases until it judges that the coronavirus crisis phase is over". Based on a joint assessment of financing conditions and the inflation outlook, the ECB expects net purchases under the PEPP over the coming quarter to continue to be conducted at a significantly higher pace than during the first months of this year. Furthermore, net purchases under the asset purchase programme (APP) will continue at a monthly pace of Euro 20 billion. The ECB will also continue to provide ample liquidity through its refinancing operations. Specifically, the third series of targeted longer-term refinancing operations (TLTRO III) plays a crucial role in supporting bank lending to firms and households.

  On 8 July 2021 the ECB presented its new monetary policy strategy adopting symmetric 2% inflation target over medium term and confirming that the set of ECB interest rates remains the primary monetary policy instrument of the ECB. Forward guidance, asset purchases and longer-term refinancing operations remain an integral part of the ECB's toolkit, to be used as appropriate.
- At its meeting held on 22 June, the **Bank of England** judged that the existing stance of monetary policy remained appropriate. Therefore, the bank rate was maintained stable at 0.10% and the Quantitative Easing programme was confirmed with the objective of maintaining the total target stock of asset purchases at £895 billion.

Main economies[3]

The **Gross World Product is expected to increase by +4.7% in 2021**, considerably recovering from the marked decreased it posted in 2020 (-8.9%). The international scenario features uncertainty and the various risk factors that may contribute to weakening the present equilibrium have reflected, albeit with different intensity, in the various geographical areas:

- In Q1 2021 the **United States**[4] economy grew by +1.6% vs. the previous quarter, with the GDP back to the levels it had at the end of 2019. In Q2 economic activities should further increase, thanks to strong consumption expenditure driven by the federal assistance supporting households' income. Nonfarm payrolls increased by 850.000 jobs in June and the unemployment rate came to 5.9%. Considerable improvement was posted in the leisure and hospitality sector, the professional and business services sector and the retail trade sector. In April, consumer inflation increased to 4.9% while the increase in nominal inflation was mainly due to the strong annual increase in the energy component;
- In Q1 2021 **China's**[3] GDP grew by +0.6% vs, the previous quarter, slowing down vs. the last two quarters. Besides expansionary polices, the main drivers of economic activity were investments and private consumption, which are expected to continue to boost recovery also in the coming months as opportunities for employment and productive activities increase. In May, consumer price inflation on twelve months increased slightly to 1.3%, from 0.9% in April. Consumer price inflation has remained overall modest, whereas energy prices posted a marked increase;
- In Q1 2021, **Japan's**[3] GDP decreased by 1% vs. the previous quarter, because the second state of emergency declared between early January and mid-March impacted on private consumption and business investments. The strengthening in domestic demand subsequent to the easing of containment measures, as well as the ongoing budget support and the recovery in foreign demand should drive gradual but constant recovery, which is expected to proceed at a faster pace in the remaining part of the year and afterwards at a modest pace. The third state of emergency, which was declared at the end of April, and the modest progress in vaccination are likely to cause any stronger recovery to be postponed to the second half of this year;
- in **India**, the pandemic's second wave has been materially affecting growth, after the good performance posted in Q1. In the first three months, the GDP grew by +2.1% ion a cyclic basis, with growth in private consumption recovering (+2.8%), after three quarters of negative growth, and with public expenditure and investments strongly increasing thanks to the economic policy measures deployed to support the construction sector. However, the pandemic resurgence reflects in the PMIs, which dropped from over 55.4 to 48.1, with the service sector being the hardest hit. In May 2021, inflation posted a +6.3% increase[2].;

3 Source: Prometeia, Forecast Report (July 2021)
4 Source: US Bureau of Labor Statistics (June 2021)

- In Q1 2021, **Russia's** GDP remained essentially stable vs. Q4 2020. The production data show a recovery driven by the manufacturing industry and by the sectors that were the most exposed to the health problem as they reopened. Conversely, the important extraction industry has continued to contract, also due to the OPEC+ agreements that cut production quotas. In May inflation came to 6% (at its highest in the last 5 years) mainly driven by the increase in food prices;
- In the first three months of 2021, the first quarter after Brexit, the **United Kingdom's[5].** economy contracted by -1.5% vs. Q4 2020. This figure reflects a general reduction in the main indicators, which were negatively impacted by the Covid-19 containment measures continuing in force. The service sector decreased by -2.0% vs. the previous quarter, as it was penalized especially by education (-11.8%), with material contributions from accommodation and food. In H1 2020 production also posted negative growth (-0.4%), mainly due to the decrease in the manufacturing industry (-0.7%), despite it benefited from an increase in pharmaceutical production (+5.6%).

EURO AREA

In Q1 2021 the **Euro Area's[6] GDP** showed a slight contraction vs. Q4 2020, of **-0.3%**. This figure followed the decrease in Q4 2020 (-0.6%), after the strong rebound in Q3 2020 (+12.6%).

In April 2021 **industrial production[7]** increased by +39.3% YoY (+0.8% vs. the previous month). **Inflation[8]**. also increased and, in May 2021, came to 2.0% (up by +1.4 pp. vs. the previous year). The increase in this figure, which showed a similar behaviour also globally, resulted mainly from the energy sector, especially oil and commodities, whose higher prices caused both the producer price curve and the consumer price curve to hike.

The unemployment rate[9], which came to 8.0% in April 2021, increased vs. the April 2020 figure, which was 7.3%, and slightly decreased vs. the previous month (8.1%).

In Q1, **Germany's[3]** GDP sharply decreased on a cyclical basis by -1.8%, resulting from a material negative contribution from household consumption, whereas investments gave essentially no contribution. The manufacturing sector continued on its way to recovery, driving the GDP growth, albeit at a slower pace than in the previous quarters.

France's[3] GDP decreased by as little as -0.1% vs. Q4 2020, being the only Country posting economic growth vs. Q1 2020. This performance is the result of a negative contribution from the foreign component (-0.4pp), and of a positive one from domestic demand (0.1pp) as well as of a change in inventories (0.2pp). The manufacturing sector and the construction sector posted marginal growth.

In Q4 2021 **Spain's[3]** GDP dropped by 0.4% VS. Q4 2020, with the Country being the farthest one from the activity levels at the end of 2019 (-9.3pp). As for Germany, the household consumption contribution was negative. Investments also decreased, especially those in constructions and means of transport.

Subsequent to the suspension of the Stability and Growth Pact, the EU Member States deployed robust measures to address the crisis through extraordinary financial support, **causing the Euro Area aggregate deficits to increase to approximately 7% of the GDP**. Furthermore, the EU approved temporary support measures for a total of Euro 540 billion, such as SURE, EIB and ESM funds, on top of the Next Generation EU longer terms ones, which will be implemented in the 2021-2026 period and, overall, will make Euro 750 billion available to the Member States, partly as loans (up to Euro 360 billion) and grants (up to Euro 390 billion) to be paid out through seven programmes – the main one being the Recovery and Resilience Facility (RRF), which covers the entire loan portfolio and 80% of grants.

5 Source: Office for National Statistics, GDP first quarterly estimate (May 2021).
6 Source: Eurostat, 66/2021 (June 2021)
7 Source: Eurostat 67/2021 (June 2021)
8 Source: Eurostat 71/2021 (June 2021)
9 Source Eurostat 63/2021 (June 2021)

Next Generation EU is not only a recovery plan but also the chance of a lifetime to emerge stronger from the pandemic, thanks to a recaptured sense of European unity, to transform the economy making the EU greener, more digital and more resilient. Prove of this is the first issue of **"European" bonds**, which will contribute to funding the national recovery plans.

THE ITALIAN ECONOMY

On 22 June 2021, the European Commission gave an overall positive assessment of **Italy's Recovery and Resilience Plan (Italian Piano Nazionale di Rilancio e Resilienza – PNRR)**, which was submitted by the Italian Government at the end of April. Its framework provides for total resources of Euro 235.61billion: NGEU funds will amount to Euro 205 billion, to which the Government is going to add Euro 30.6 billion to fund a complementary national plan that will be implemented along with the EU programme. Italy's national Recovery and Resilience Plan is based on six *missions* structured over three horizontal strategic priorities: digital transition, green transition and social inclusion. Nearly 40% of the total resources has been earmarked for the green transition, 27% for digitalization and 40% for the development of South Italy. The total cumulative effect of these investments on the Italian GDP in 2026 has been estimated to be +3.6%[10],

In Q1 2021 the Italian economy posted a marginal improvement vs. the previous quarter, with the GDP growing on a cyclic basis by +0.1%[1]. The modest recovery in productive activities resulted from an increase in agriculture and manufacturing added value on the one hand, and a contraction in the services sector, which in some industries continued to be affected by measures deployed to control the health emergency. In terms of demand, exports of goods and services increased, on a cyclic basis, by +0.5%, as did gross fixed investments that went up by +3.7%, and imports by +2.3%, whereas final consumption decreased by -1.0%.

Household expenditure[1] decreased, on a cyclic basis, by -1.8%. Specifically, purchases of durable goods decreased by -0.9%, purchases of services by -4.2% and purchases of semi-durable goods by -3.6%, whereas purchases of nondurable goods increased by 1.9%.

In Q1 2021 consumer households' **disposable income** increased by +1.5%11 vs. the previous quarter, and by +0.8% YoY. Versus Q4 2020, **propensity to save** increased by +1.8% coming to an estimated figure of 17.1%. Said increase resulted from lower final **consumption expenditure** (down by -0.6% vs. Q4 2020 and by -4.0% YoY) and from an increase in gross disposable income.

In June 2021, **consumer confidence**[11] strengthened its positive trend and posted a marked increase, coming to 115.1 (110.6 in May and 102.3 in April). Specifically, the economic component increased from 116.2 in May 2021 to 126.9. **Business confidence** performed similarly, with the positive trend going on since December confirmed by the June figure, up from 107.3 (May 2021) to 112.8.

In Q1 2021, **net government debt**[12] amounted to 13.1% of the GDP, worsening from 10.6% in Q1 2020, as a result of the considerable increase in expenses caused by the continuing measures to support household and business income, which proved higher than the increase in revenue. In Q1 2021, in terms of weight on the GDP, the primary balance and the revenue balance were both negative, amounting to -9.7% (-7.5% in Q1 2020) and to -8.6% (-7.3% in Q1 2020), respectively.

In April 2021, **industrial production**[13] (up by +1.8% vs. March) posted its fifth month of cyclic growth and came higher than its pre-pandemic levels, i.e. the figures for February 2020. This index showed cyclic increases across all the main groupings of industries: indeed, increases were posted in capital goods (+3.1%), energy (+2.4%), intermediate goods (+1.1%) and, to a lesser extent, consumer goods (+0.5%). In April 2021, the overall index increased, in trend terms, by 79.5%, because of the exceptionally low figure of April 2020. Conversely, in the period January-April 2021, the index increased by +21.6% vs. the January-April 2020 four-month period.

10 Source: Prometeia, Brief 21/4 May 2021).
11 Source: ISTAT (the Italian National Institute of Statistics) consumer and business confidence (June 2021)
12 Source: ISTAT, Quarterly Non-financial accounts for General Government (July 2021).
13 Source: ISTAT (the Italian National Institute of Statistics) Industrial Production (April 2021)

The improvement in the expected economic climate, driven also by the general reduction in new COVID cases, the measures supporting liquidity and the incentives to investments in buildings generated, in Q1 2021, a cyclic growth in **gross fixed investments**[11] (+4.1%), which involved all types of homes (+4.8%), non-residential buildings (+5.2%), construction of plants, equipment and armaments (+3.5%) and intellectual property (+0.4%)[1].

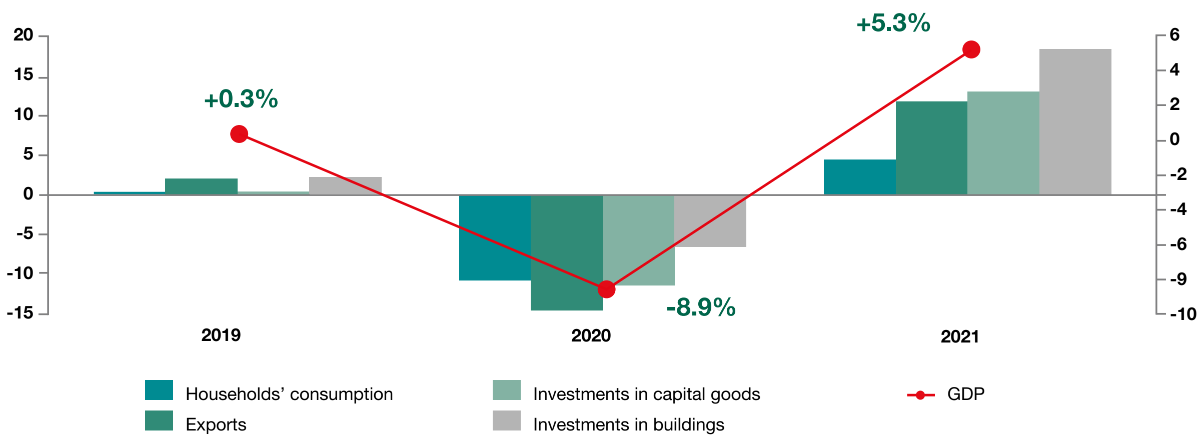
The data on trade in Q1 2021 showed positive signs as to trade of goods, whereas services showed again signs of weakness, caused by the ongoing difficulties in tourism traffic. In the three-month period between February and April 2021, **foreign trade**[14]. increased vs. the previous three-month period by +4.2% as regards exports and by +7.6% as regards imports. In April 2021, given the exceptionally low level of April 2020, the YoY growth in exports was extraordinarily big: +97.6%, with sales to the EU up by +91.5% and sales to non-EU Countries up by +104.6%. Imports also posted a very strong trend growth (+62.8%) both form the EU (+69.2%) and from non-EU markets (+54.9%).

In June 2021 **consumer prices**[15] increased (gross of tobacco) by +0.1% on a monthly basis and by +1.3% on an annual basis (as in the previous month), driven by time factors linked to commodities in their turn boosted by energy prices, which sped up their growth to +14.1% vs. June 2020 because of their non-regulated component (+12.8%). The '"core inflation" figure, calculated net of energy and fresh food, increased, on a trend basis, by +0.3%, whereas "acquired" inflation for 2021 grew by +1.3% as to the general index and by +0.6% as to the core component, this trend, however, remained modest vs. that in the Euro Area.

The labour market has been showing signs of progressive improvement: in May 2021 the **unemployment rate**[16] came to 10.5% reflecting an increase in the number of employed people and a decrease in the number of both unemployed and people not in education, employment, or training. Comparing the March-May 2021 three-month period with the previous one (December 2020-February 2021), the **employment level** was higher by 0.3%, while the point-in-time employment rate in May 2021 came to 57.2%.

Despite the impact of the third wave of COVID cases, the Italian economy decreased at a slower pace and wider vaccination should contribute to making the GDP return to grow in Q2, while it is expected to accelerate its growth pace in Q3, when the recovery that already started in several economic sectors will be joined by recovery in tourism and entertainment, which were hit especially hard by the crisis. Thanks also to the first NGEU funds (€25 billion) which will be partly spent in H2, these trends are expected to contribute to an increase in the GDP of +5.3% in 2021[17],

Italy: GDP and its components



Source: Prometeia, Forecast Report (July 2021)

14 Source: ISTAT, Foreign trade and import prices (June 2021).
15 Source: ISTAT, Consumer prices – provisional data (June 2021).
16 Source: ISTAT (the Italian National Institute of Statistics) Employment and Unemployment (May 2021 provisional data)
17 Source: Prometeia, Forecast Report (July 2021)

THE BANKING SYSTEM

In H1 2021, the banking industry **continued to meet households' and businesses' demand for loans**, despite the very complex situation, with financing conditions that remained easy, also thanks to the **ample liquidity availability** of the ECB. Indeed, cost of funding for banks remained low, thanks to the many monetary policy and regulatory interventions deployed at a national and EU level, with repercussions on medium and long-term benchmark rates applied to customers, improving the conditions for access to credit to the benefit of households and businesses.

In economic terms, as early as since Q1 2021, **profitability in the banking industry has been recovering**, and may very well return to its pre-crisis levels thanks to the increase in net fee and commission income, driven by the acceleration in asset management and by the effectiveness of cost control actions. **Investments in technology and cyber security** increased, driven by the momentum in digital transformation and necessary also to address higher Information and Communication Technology (ICT) risks generated by the facts that customers make more and more transactions online, but the increase was offset by the decrease in overhead costs thanks to the ongoing process for network optimization. A positive factor was also the decrease in the **cost of risk**, which went back to its physiological levels after the exceptional ones it reached in 2020. Lastly, banks continue to bear also **banking system expenses** for some actions for the recovery and resolution of some banks carried out by the Interbank Deposit Protection Fund (FITD, which determined requests extraordinary contributions to restore the fund, on top of the ordinary contributions, which increase across the banking system in accordance with the performance of protected deposits.

As regards **extraordinary measures to support financing**, wide use is still being made of moratoria on loan repayment and of State guarantees, which, in the EU, have very different features in the various Countries. Italy, along with Spain, is the Country where the use of moratoria and State guarantees was the widest and where the measures still in force are high compared with total loans. In terms of riskiness, the data on loans for which moratoria expired at the end of 2020 show that a modest portion only became non-performing, with this figure consistent among Countries, giving evidence of the effectiveness of said extraordinary measures.

Although a good part of the granted **moratoria** expired or is about to expire, the use of these concessions remains high. As at 30 June 2021, nationwide, moratoria on loans still active had a value of Euro 128 billion, i.e. approximately 46% of all moratoria granted since March 2020 (approx. €280 billion), of which about €102 billion granted to **non-financial corporations** and €19 billion to **households**. Furthermore, the **Guarantee Fund received a total of 2,251,280 applications for guarantees** for a grand total of over €182.2 billion. Of these, 1,162,147 referred to loans under the Italian Liquidity Decree Law up to Euro 30,000, with 100% coverage, for a loan amount of approximately Euro 22.6 billion and 543,090 guarantees for moratoria introduced by the Cure Italy Decree Law for a loan amount of about Euro 14.8 billion. Lastly, the total volumes of **loans backed by SACE guarantees within "Garanzia Italia"**[18] increased to Euro 26.1 billion.

For the largest Italian banking groups, at the end of 2020 the weight of moratoria on the loan portfolio came to 7.7%, vs, the EU average of 2,1% and vs. values below 1% in France and Germany. That difference existed as early as in June 2020, that is to say, also before the progressive expiry of the measures. In this aspect also, **Italy seems different from the other EU Countries**: in Italy 34% only of the granted moratoria expired at the end of 2020, vs. 65% in the EU and 80% in France and Germany. Despite fears that asset quality may worsen given the amount of the loans under moratoria, the data made available by the EBA on the set of significant Italian banks, indicate that 2.7% only of the loans for which moratoria have already expired became non-performing at the end of 2020 (vs. the EU average of 4.5%)[19]. The breakdown by counterparty shows that the moratoria in force mainly regard loans to businesses: France (80%), Italy (70%) and Germany (60%), whereas in Spain the moratoria mostly regard loans to households (80%). Italy posted the highest use of loans backed by State guarantees: said loans account for approximately 5.5% of the total outstanding loans given by significant banking groups, vs. the EU average of 2.5%, whereas Germany is the Country where the use of these extraordinary measures is the lowest. In the EU, State guarantees cover on average 70% of the loan amount; in Italy the covered percentage of the loan amount is much higher (nearly 90%), followed by Spain and Germany (approx. 80%); conversely the loans given by French groups have the smallest percentage covered by the guarantees (55%)[20].

18 Press releases issued by the task force consisting of the Italian Ministry of the Economy and Finance, the Bank of Italy, the Italian Banking Association, Mediocredito Centrale, the Italian Ministry of Economic Development and SACE (30 June 2021))

19 EBA Risk dashboard, data as at Q1 2021.

20 Prometeia elaborations on ECB and EBA data (Mayo 2021), data as at December 2020.

In the Italian banking system **capitalization** remains **strong and resilient** as regards essentially all significant banks, with capital ratios well above the minimum requirements applicable since 1 January 2021 as set by the Supervisory Authority after the SREP carried out in 2020. Consequently, if no unexpected and very negative developments occur in the next few months, the recommendation of limiting dividend distribution, which was issued at the beginning of the pandemic, should be repealed and banks will be allowed to go back to their own dividend policies from the end of Q3 2021.

That scenario resulted in the economic performances given below[21]:

In May 2021, **loans to households and businesses** came to Euro 1,317 billion, increasing by +0.6% vs. the end of last year. According to the Bank of Italy's official data, lending to non-financial corporations slowed down, although its expansion pace continued to be rather fast, as demand for loans backed by State guarantees remained high. Lending to households increased, as regards both home loans and consumer loans.

The impairment rate of loans, expressed by the Default Rate, slightly increased, albeit remaining at modest levels, with coverage ratios remaining fully under control and the weight defaults improving, thanks also to the derisking process, which has been a priority in the last few years favouring proactive management of NPL and continuing to sell NPL portfolios on the market.

In April 2021 **net bad loans** came to Euro 19.8 billion and continued to progressively decrease, down by -5.2% vs. the end of last year. The weight of net bad loans on total loans came to 1.15%, decreasing from 1.50% in April 2020;

In May 2021, **the interest rates applied to loans to Customers** continued to be very low, at their all-time low: the average rate on total loans at 2.23%, the interest rate on new home loans at 1.43% vs.1.33% in 2020) – which reflects the performance of fixed and variable interest rates, as well as the changes in the composition of new loans in terms of type of mortgage loan – while the interest rate on loans to businesses was 1.17% vs. 1.21% in 2020).

Liabilities to the Eurosystem increased as banks participated in the seventh operation of the third series of targeted longer-term refinancing operations (TLTRO-III), which was settled on 24 March 2021, whereby Italian banks obtained Euro 77 billion, taking total liabilities to the Eurosystem to Euro 427 billion.

In May 2021, total **direct funding** (deposits from resident customers and bonds) proved again strong, increasing by +1.4% vs. the end of last year. The medium/long-term funding component, consisting of bonds, decreased by over Euro 7 billion in absolute value (i.e. down by -3.5%), whereas deposits increased by approximately Euro 35 billion vs. the previous year, up by +2.0% vs. December 2020. The analysis of the dynamics of deposits has shown that the increasing trend was mainly driven by businesses, which, benefiting from favourable financing conditions, increased their liquidity position; however, due to the profound uncertainty caused by the Covid-19 pandemic, said liquidity was not immediately reinvested in productive activities.

Interest **rates** on **bank funding** remained essentially stable: in May 2021 the average rate on total bank funding from customers came to 0.47% vs. 0.49% in December 2020.

The **spread** between the average rate on loans to and the average rate on deposits from households and non-financial corporations has remained, in Italy, at very low levels; in May 2021 it came to 176 basis points, decreasing vs. 178 basis points in December 2020.

As regards the **asset management industry**[22], in May 2021 the system posted net funding up by Euro +6.8 billion, coming to Euro +41.7 billion since the start of the year, whereas assets under management: – thanks also to the market effect – reached a new all-time high, at Euro 2,480 billion. Invested assets managed under mandates came to Euro 1,220 billion, accounting for 49% of total assets under management. Assets managed under collective investment schemes came to Euro 1,260 billion and accounted for the remaining 51% of total assets under management.

21 ABI Monthly Outlook (June 2021).

22 Source: Assogestioni (the Italian National Association of Asset Management Firms), Asset Management Monthly Map, May 2021

REGULATORY AND SUPERVISORY ACTIONS

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

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

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

- **Moratoria for SMEs were extended to 31 December 2021,** with prior notice to the banks of the intention to extend the moratorium on loans by 15 June, as long as the moratorium applies to the principal only. Therefore, effective as of 1 July, enterprises shall resume payment of interests on loans under moratoria;
- **Public guarantees on loans given by the Central Guarantee Fund (Fondo Centrale di Garanzia – FCG) and SACE** on new loans or renegotiated outstanding loans **were extended to 31 December 2021**, although some changes were made to the Central Guarantee Fund coverage, which will enter into force on 1 July 2021 (the public guarantee percentage will decrease from 90% to 80% and from 100% to 90% for loans up to Euro 30,000). Lastly, for guarantees given both by the Central Guarantee Fund and by SACE, the loan duration may be extended to 10 years, with the prior authorization given by the European Commission;
- **Deferred tax assets (DTA) may be converted into tax credits, also in case of mergers finalized in 2022 but resolved by 31 December 2021.** The most material development is that the merger or acquisition plan must be approved also by the management body (BoD) of the entity to be absorbed. This means that especially non-hostile takeovers are being incentivized, as, in order to benefit from the tax relief, an agreement must be reached between the two BoDs, which will then have one year to obtain the approval and to finalize the merger or acquisition deal;

- **A provision contained in the "Cure Italy" was extended to 31 December 2021,** whereby deferred tax assets referring to tax losses also not recognized may be converted into tax credits, **if a company sells NPLs for a consideration** up to a maximum amount of Euro 2 billion.

The Supervisory Authorities' attention to credit risk remains high, in order to prevent any future problems similar to those experienced in 2012. Of the many developments in the applicable legislation and regulations entailing, since 2021, a **revision of the methods to manage the credit cycle**, the following are to be mentioned:

- The **EBA new definition of default**, which all banks are required to apply effective as of 1 January 2021, as detailed in the 2016 guidelines and in Commission Delegated Regulation (EU) 171/2018. The new rules apply to the classification as NPLs in terms of timeliness (fine tuning the methods to classify UTP and implementing additional automatisms), objectivity (setting non-discretionary materiality thresholds, both absolute and relative different for retail and corporate banking positions) and prudence (introducing specific rules for positions to be classified back as performing – the so-called probation period). In accordance with the new rules, banks shall also put on record the business and legal relations of their customers in order to identify the cases in which the default of a party may have repercussions on a debtor connected to said party (the so-called contagion effect);
- **The EBA guidelines on loan origination and monitoring,** whose final version was published in May 2020, which fall into the EU priority legislation on credit risk aimed at strengthening sound lending practices. The pursued objective is to improve credit quality and to contain the building up of new non-performing exposures in the European market, in accordance with the Action plan to tackle non-performing loans in Europe adopted by the European Council in July 2017. The guidelines, effective as of 30 June 2021, introduce best practices for the management and monitoring of credit risk through the use of sound and prudent standards;
- The Implementing Technical Standards (ITS), published by the EBA on 24 June 2021, which implement the prudential provisions laid down in Regulations (EU) 876/2019 (CRR 2) and 630/2019 (Prudential Backstop). The **"prudential backstop"** introduces a new framework on minimum coverage of NPLs, which provides for deductions from the bank's Common Equity Tier 1 (CET1) of applicable amounts if minimum coverage has not been reached (the so-called minimum loss coverage) with provisions or other adjustments. The required coverage varies in accordance with the exposure vintage (time during which it remains non-performing), with whether the loans are secured or unsecured and with the type of guarantees backing the loan. Said regulatory framework, which is part of pillar 1, does not provide for any flexibility and shall apply only to non-performing exposures generated by loans originated on or after 26 April 2019. Banks shall state the amounts to be deducted under the prudential backstop in their supervisory reporting effective as of 30 June 2021;
- The new **update on legislative and non-legislative moratoria deployed to address the crisis caused by the Covid-19 pandemic**, published on 2 December 2020 by the EBA, introducing some developments, of which the following are mentioned: (a) the term within which the bank must decide whether to grant the moratorium was extended to 31 March 2021; (b) any Covid-related repayment suspensions granted between 1 October 2020 and 31 March 2021 and for which the sum of suspension months granted in order to address the Covid-19 emergency is equal to or less than 9 months may be excluded from the perimeter of potential forborne exposures . The aforementioned limit does not apply to changes to the loan repayment schedule agreed on loan contracts before 1 October 2020 (for which no modifications are necessary). Other than in these cases, banks shall assess the single positions in order to identify any possible "financial difficulty" situations with consequent classification of loans as forborne exposures (irrespective of their being performing or non-performing).

ENVIRONMENTAL, SOCIAL AND (CORPORATE) GOVERNANCE (ESG)

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

In this scenario, banks are designing and implementing business plans that, more and more frequently, have the achievement of ESG targets as their core pillar, such as: origination of green loans intended to improve energy efficiency or to invest in green technologies, the issue of green and social bonds or the commercialization of sustainable investment or insurance products. Banks are being encouraged to integrate ESG factors in all their business areas also by rating agencies, which are starting to integrate ESG elements more and more into their rating methods.

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

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

This regulatory action includes **stress testing on climate-related risks**. In 2021, the ECB has already conducted a top down stress testing exercise on a total of approximately 2,000 banks, of which, for the time being, it has announced some preliminary results only. In 2022, the ECB will also conduct a bottom-up stress testing exercise on climate-related risks. Climate-related risk is more general for the ECB, also in view of the revision of its monetary policy strategy; the ECB has recently announced the setting up of the *Climate Change Centre*, which should coordinate the work on climate change.

PERFORMANCE OF OPERATIONS

In H1 2021, the Crédit Agricole Italia Banking Group continued to stand out for its strength and ability to generate value in a sustainable manner, obtaining excellent results in terms of customer satisfaction. This is how important business performances were achieved, which reflected in the strong growth in operating income, especially fee and commission income, along with a considerable reduction in the cost of credit.

At the end of April, the voluntary public tender offer for all the shares in Credito Valtellinese was completed, whereby first control of the company was acquired, followed by the acquisition of 100% of its share capital in June. Therefore, the consolidated results for H1 2021 report also the profit/loss and financial effects of Creval from the date of its acquisition, i.e. for May and June. Where not otherwise specified, the comments on performances refer to income components net of Creval data, in order to ensure smooth comparison. In order to better report the dynamics of the income statements and balance figures, the tables give both the consolidated figures including Creval contribution and the consolidated figures net of Creval contribution.

THE PERFORMANCE OF BALANCE SHEET AGGREGATES

LOANS TO CUSTOMERS

As at 30 June 2021, the stock of net loans to customers amounted to over Euro 65 billion; excluding Creval contribution of approximately Euro 14 billion, said loans came to over Euro 51 billion, increasing by Euro 0.9 billion, i.e. up by +1.7% vs. the beginning of the year.

This aggregate increased thanks to the constant origination of mortgage loans to individuals and businesses (up by Euro +1.0 billion, i.e. up by +3.2%) giving evidence of the support provided by the Group to the economy, also under the extraordinary measures deployed by the Italian Government to support households and businesses in the present emergency. Medium/long-term loans more than offset the decrease in active current accounts (down by -1.7%) and in advances and credit facilities (down by -0.2%).

The increase in volumes was achieved mainly with methods that are better fit to preserve the quality of loans: in H1 Mortgage loans and other Loans were originated for an amount of Euro 3.2 billion, of which Euro 1.84 billion worth of Home loans (up by +26% YoY) and Euro 0.7 billion worth of Loans backed by State guarantees.

Net of the recognized impairment losses and excluding Creval component amounting to Euro 492 million, non-performing loans came to Euro 1.4 billion, decreasing by 6.2% vs. the beginning of the year, giving evidence of the virtuous trend already achieved in previous years. Therefore, the weight of net non-performing exposures on total loans to customers decreased to 2.73% from 2.96% at the beginning of the year.

In gross terms, that ratio came to 5.6% vs. 5.8% in December 2020.

Because of higher provisions, the coverage ratio of non-performing loans came to 53.2%, increasing from 51.2% in December 2020; specifically the coverage ratio of bad loans increased to 70.5% (vs. 68.4% in December 2020), that of Unlikely to Pay to 34.8% (vs. 35.5% in December 2020). The coverage ratio of performing loans remained stable at 0.6%.

FUNDING FROM CUSTOMERS

As at 30 June 2021, total funding came to over €161 billion; excluding Creval contribution of more than €28 billion, it came to over €133 billion, increasing by €2.7 billion vs. the 2020 closing figure (+2.1%), thanks especially to the strong growth in assets under management.

Direct funding came to €72.2 billion; net of Creval stock amounting to approximately €18 billion, it came to €54.3 billion, slightly decreasing vs. 31 December 2020 (-1.2%) despite the YoY increase (+4.6%). The dynamic in H1 2021 was linked to a more efficient allocation of savings of individuals and, as regards businesses, of the absorption of part of the liquidity accumulated in 2020 because of the economic situation caused by Covid-19.

In March Crédit Agricole Italia issued the first Italian green covered bonds for a total of €500 million. Consistently with the Group's green finance objectives, the issue aimed at financing or refinancing a pool of residential mortgage loans selected based on sustainability criteria and originated for the purchase of high energy efficiency properties. The issue, with maturity of 12 years, had the smaller spread ever recorded in any Covered Bonds of Italian issuers and gives evidence of the Group's appeal to investors.

As at 30 June 2021, direct funding came to €89.6 billion; excluding Creval contribution of €10.8 billion, it came to €78.8 billion (up by +4.5% vs. December 2020) with its growth driven by the good performance of financial markets and the effective placement activities performed by the Group's network.

The development in funding is essentially balanced between assets under management (up by +6.2% vs. 31 December 2020) and assets under administration (up by +2.6% vs. 31 December 2020). Overall, assets under management came to over €42 billion, with equal progress in funds and asset management (+6.4%) and Insurance Products (+6%).

NET INTERBANK POSITION

As at 30 June 2021, the net interbank position, excluding Creval interbank transactions, showed a negative mismatch of €3.6 billion. Having regard to the same perimeter, this figure increased vs. the €2.6 billion figure at the beginning of the year , because of the increase in due to banks, which came to €13.2 billion (up by Euro +1.9 billion), mainly consisting of the amounts borrowed from the ECB. Due from banks came to €9.6 billion, of which €8.9 billion worth of due form the Central Bank.

EQUITY

As at 30 June 2021, the Group's equity came to €7,087 billion vs. €6,350 billion recognized as at 31 December 2020 (up by Euro +736 million).

This increase resulted from the positive contribution of earnings for the period for €562 million, including €377,6 million of provisional negative goodwill regarding the first consolidation of Creval, and from the contribution for a future share capital increase given by the controlling company Crédit Agricole S.A. to support the acquisition finalized in H1 of €300 million.

It is pointed out that, on 28 April 2020, the General Meeting of Crédit Agricole Italia Shareholders resolved to distribute a dividend of €90.1 million, paid out in H1 2021.

OWN FUNDS

Subsequent to the Covid-19 emergency, the European Central Bank decided, among other measures, to bring forward the application of Article 104a of CRD 5 (which was originally supposed to enter into force on 28 December 2020) authorizing Banks to meet their Pillar 2 Requirements (P2R) less than 56.25% of Common Equity Tier 1 (CET1) and with 75% of Tier 1 Capital (Tier1).

Subsequent to that decision, with a letter of 8 April 2020, the Regulator communicated the revised consolidated minimum capital requirements assigned to the Crédit Agricole Italia Banking Group, which are to be constantly complied with in 2020 and confirmed in 2021, setting them as follows:

- 7,98% for the CET1 ratio;
- 9,81% for the Tier1 ratio;
- 12,25% for the Total Capital ratio.

As at 30 June 2021, the Common Equity Tier 1 ratio came to 11.6%, down vs the figure for the previous period (14.0% as at 31.12.2020), because of the inclusion in the perimeter of Crédit Agricole Italia Banking Group of Creval. This increase reports the changes in the book value of the related equity items, including the retained earnings for the half-year – excluding the negative goodwill referred to the first consolidation of Creval as it is still temporary – along with the contribution for a future share capital increase given by the controlling company Crédit Agricole S.A. to support the acquisition finalized in H1 of €300 million.

The Tier 1 ratio came to 13.6% (16.6% as at 31.12.2020), while the Total Capital ratio came to 16.5% (19.7% as at 31.12.2020).

Risk-weighted assets (RWAs) came to Euro 34.916 billion, increasing vs. the figure for the previous period at Euro 27.337 billion, because of the Creval RWA inclusion, at 8.042 billion, to which are added the benefited from the extension of supervisory regulations “CRR II”.

In short, having kept, once more in H1 2021, the consolidated Common Equity Tier 1 ratio above the regulatory requirements, also with the Creval acquisition, is evidence of the Crédit Agricole Italia Banking Group’s widely acknowledged capital strength and quality.

PROFIT OR LOSS

The consolidated Income Statement for H1 2021 reports a profit of Euro 562 million, including the recognition of the provisional amount of the negative consolidation difference of €377,6 million resulting from the acquisition of Creval after the partial and provisional PPA. As allowed by IFRS 3, said amount will be finally redetermined in the 2021 Annual Report and Financial Statements after the finalization of the purchase price allocation activities.

Furthermore, the profit for the period reports the impact of approximately €16 million (€11 million before tax) worth of integration expenses regarding the acquisition of Creval.

Not considering the set of effects on the income statements generated by Creval consolidation, consolidated net profit is €220 million vs. €97 million for H1 2020 (up by Euro +123 million).

This increase was mainly due to the rebound of net income (up by +9.4%), widely recovering the decrease posted in H1 2020 (-6.4%) caused by the “lockdown” on commercial activities and to the considerable reduction in the cost of credit (50 bps vs. 92 bps in 2020). Furthermore, the H1 profit reports the tax benefit of €38 million resulting from the tax realignment of tangible and intangible assets.

In a market scenario featuring interest rates still all below zero, net interest income came to €468 million (net of €55 million of Creval), decreasing by 2% vs. H1 2020. This decrease resulted from intermediation with Customers with lower returns on outstanding loans and on new loans (with high weight of loans backed by State guarantees), which was only partially offset by the lower cost of funding, and from interest on financial assets, the return on which is index-linked to the short-term market rates.

Among the other components, interest income on non-performing exposures decreased subsequent to the derisking actions deployed at the end of last year, to the decrease in new NPLs, whereas net interest income on transactions with banks (+37 million), because of the higher impact on the income statement of TLTROs with the ECB.

Net fee and commission income for H1 2021, net of €40 million from the Creval perimeter, came to Euro 483 million, increasing by 17.4% vs. H1 2020.

This performance was achieved also thanks to the recovery in financial markets and to the increase in financial products placed in the first half of the year, which reflected in an increase in fee and commission revenues from management, intermediation and advisory services (+27.8%; i.e. +€68 million); specifically, revenues from intermediation and placement of securities increased (+35%; +€34 million) and from the distribution of insurance products (+23.4%; +€30 million); conversely, the traditional commercial banking business, which was the hardest hit by the measure restricting circulation and commercial activities, generated income for €144 million, posting a slight decrease (-0.4%; -€1 million).

In H1 2021, the profit on financial activities, net of Creval contribution of €2 million, came to €40.3 million (up by +€39 million vs. 2020). This result reports over €27 million from sale and arbitrage transactions on securities in the portfolio and €13 million from trading and hedging, carried out to comply with requests made by borrowers for interest rate hedging.

The balance of the “Other operating income (expenses)” item is negative by €2.3 million (net of Creval contribution, which was positive by approx. €2 million) versus a positive balance of €10.8 million recognized in H1 2020, which benefited from the adjustment price (amounting to €9.8 million) associated with the sale of the shareholding in CA Vita, which was finalized in previous years, and from the collection of €4 million subsequent to the finalization of the settlement in the liability lawsuit against the former directors of Cassa di Risparmio di Rimini.

Operating expenses came to Euro 611 million excluding Creval contribution of €68 million, vs. €608 million as at 30 June 2020 (+0.5%). Net of the €30 million component consisting of contributions to the banking system, which entailed a cost higher by €4.5 million (+18%), ordinary operating expenses were reduced by approximately €2 million (-0.3%). The results of the efficiency-enhancing actions were more obvious as regards ordinary administrative expenses, which came to €141 million (down by -3.6%, i.e. by €-5.3 million), which decreased thanks mainly to the cost management policy and the actions for network rationalization implemented in the previous years, as well as to the partial absorption of the higher expenses incurred to manage the health emergency.

Specifically, personnel expenses came to Euro 354million (+0.5%) and reflect the contractual pay increases (the applicable Italian national collective bargaining agreement, merit-rewarding policy, and seniority pay increases), which were partially offset by the release of excess provisions and by the lower expenses on incentive for voluntary redundancy than the related amount allocated to provision in 2020 for personnel leaving in the following months.

The “depreciation and amortization” item came to Euro 87 million, increasing by Euro 2 million (up by + 2%) as the investment provided for in the 2019/2022 MTP made in previous years became operational.

The cost/income ratio for the period, net of the contributions to the banking system, markedly improved vs. H1 2020, down from 63.8% as at 30 June 2020 to 58.8%.

The net amounts allocated to the Provisions for risks and charges came to Euro 4.8 million (up by +1.1 million vs. 2020) and mostly referred to provisions for lawsuits in which the Group is the defendant and revocatory actions.

Adjustments of loans, excluding Creval contribution, came to Euro 127 million (€145 million including Creval), decreasing by €98 million vs. H1 2020. In H1, adjustments mostly regarded Stage 3 non-performing loans (€111 million, down by -32.9%, i.e. by -54 million), while, on performing loans, the coverage adjustment required but modest adjustments amounting to Euro 11 million, (-80.3%, i.e. Euro -44 million) giving evidence of effective oversight on credit quality. For more exhaustive information, please see table “Net impairment losses on loans” on page 70.

In H1 2021, the annualized cost of credit, expressed by the ratio of net impairment to net loans, came to 50 basis points, a much lower figure than the one in H1 2020 (92 basis points).

In H1 2021 the contribution from disposal of investments was of a residual nature (€0.2 million) vs. €66.2 million recognized in H1 2020 subsequent to the sale of a property located in Milan.

As the result of the dynamics described above, the gross profit from continuing operations came to Euro 270 million, increasing by Euro 127 million vs. H1 2020.

Current taxes and deferred tax liabilities came to Euro 43 million, Euro 39.6 million net of Creval and including the positive effect of Euro 38 million resulting from the exercise of the option for tax realignment of tangible and intangible assets; net of said amount, the tax rate was 30.1% vs. 29% in H1 2020.

Net of the portion attributable to minority interests (amounting to Euro 6.9 million), the Profit attributable to the Parent Company came to Euro 220 million vs. Euro 97 million as at 30 June 2020.

OTHER INFORMATION

RISKS AND UNCERTAINTIES

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

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

The outbreak of the Covid-19 pandemic in early 2020 abruptly changed the present and forward-looking scenario the Group operates in, with material fallouts on the macroeconomic outlook and on the regulatory framework issued by the Supervisory Authorities to address the emergency.

To address the unprecedented effects of the world crisis generated by the Covid-19 pandemic, the public authorities of all the countries in the world have been deploying quick and firm actions aimed at ensuring that credit institutions can continue to lend to the real economy and can support economic recovery despite the likely increase in credit losses they will have to face because of the crisis.

In 2020, the monetary policy implemented by the European Central Bank and the measures deployed by the Italian Government to foster lending to the categories that were the hardest hit by the pandemic were able to mitigate the potential worsening in liquidity conditions. The policies for risk monitoring, management and mitigation, with specific regard to credit risk, continue to be key pillars for banks in domestic and international markets.

The Crédit Agricole Banking Group constantly monitors the quality of the loan portfolio, in terms of the portfolio as a whole, analyzing its composition in accordance with specific risk measurement parameters (internal rating system, early warning indicators, other performance-monitoring indicators), as well as in terms of single positions, designing and applying the operational processes and procedures that regulate all steps in the management of the single lending accounts, in order to ensure preventive management of any default risks.

Given the impact of the crisis caused by the Covid-19 pandemic, specific criteria were defined for the identification of the portfolio to be subjected to closer monitoring on a priority basis – also with new review processes supplementing ordinary ones. The development in loans to Customers was achieved while constantly focusing on credit quality.

The coverage ratios of performing loans reflect the application of measurement models based on the weighting of different possible scenarios, in which all available, pertinent, reasonable and justifiable information, including forward-looking information, have been taken into account. Furthermore, as described in Part E- Credit Risk, in order to anticipate potential situations of latent risks in the perimeter of loans under Covid-19 moratoria, the Crédit Agricole Italia Banking Group made manual adjustments in terms of both staging and coverage to a cluster of positions that were found in need of close monitoring. The scenario in which banks operate remains nonetheless complex; the outlook for 2021 still depends strictly on both the pandemic development and on the measures deployed, on the one hand, to curb the increase in infection rates and, on the other hand, to mitigate the impact on the economy with fallouts on the main macroeconomic indicators used to define the scenarios at the basis of the model for the measurement of expected losses

In this scenario, the Group can rely on its belonging to a strong and healthy international group, as well as on the Bank's liquidity and capitalization, which ensure effective management of the aforementioned risks and a tool to meet the challenges that economic recovery after the pandemic will pose to the banking system.

Moreover, addressing the 2020 emergency scenario, the Group further boosted the guidelines of its 2019-2022 Medium Term Plan, reasserting and strengthening its development strategies with specific focus on the Customer Project, Social Responsibility and Technological Innovation pillars.

Therefore, despite the very complex scenario featuring deep uncertainty on the recession duration and effects, on the effectiveness of the measures deployed by Governments to provide support to households and businesses and the changes in the EU monetary policy, the analyses performed using the available information gave evidence that the Group will be able to meet the risks and uncertainties caused by the emergency. This assessment takes into account the capitalization level reached, which shows a reassuring buffer higher than the ECB requirements, with liquidity above the regulatory threshold.

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

EVENTS OCCURRED AFTER THE REPORTING DATE AND OUTLOOK

From 30 June 2021 to the date of approval of this half-yearly report and condensed consolidated financial statements, no events occurred that could materially affect the structure of the Crédit Agricole Italia Banking Group and its profit or loss.

Crédit Agricole Italia Banking Group

H1 2021 Condensed Consolidated Financial Statements

Financial Statements

CONSOLIDATED BALANCE SHEET

Assets		30.06.2021	30.06.2021 net of Creval	31.12.2020
10.	Cash and cash equivalents	454,284	303,612	361,221
20.	Financial assets measured at fair value through profit or loss (IFRS 7 para. 8 letter a))	290,343	134,979	154,918
	a) financial assets held for trading;	76,408	75,860	95,231
	b) financial assets designated at fair value;	-	-	-
	c) other financial assets mandatorily measured at fair value	213,935	59,119	59,687
30.	Financial assets measured at fair value through other comprehensive income (IFRS 7 par. 8 letter h))	4,539,831	3,388,828	3,307,045
40.	Financial assets measured at amortized cost (IFRS 7 para. 8 letter f))	91,213,600	68,659,743	67,097,918
	a) due from banks	13,780,515	9,600,154	8,790,955
	b) loans to customers	77,433,085	59,059,589	58,306,963
50.	Hedging derivatives	705,919	705,919	1,026,602
60.	Fair value change of financial assets in macro-hedge portfolios (+/-)	104,010	104,010	137,309
70.	Equity investments	42,635	882,840	20,483
80.	Reinsurers' share of technical provisions	-	-	-
90.	Property, Plant and Equipment	1,389,774	929,435	951,837
100.	Intangible assets	1,603,066	1,586,720	1,618,683
	- of which goodwill	1,315,925	1,315,925	1,315,925
110.	Tax assets	2,039,688	1,307,661	1,455,306
	a) current	311,003	238,892	329,479
	b) deferred	1,728,685	1,068,769	1,125,827
120.	Non-current assets held for sale and discontinued operations	13,645	-	5,207
130.	Other assets	782,103	613,472	317,089
Total assets		**103,178,898**	**78,617,219**	**76,453,618**

Liabilities and Equity		30.06.2021	30.06.2021 net of Creval	31.12.2020
10.	Financial liabilities measured at amortized cost (IFRS 7 para. 8 letter g))	90,882,245	67,769,664	66,572,727
	a) Due to banks	18,292,844	13,239,889	11,380,898
	b) Due to Customers	60,941,043	43,808,062	44,477,381
	c) Debt securities issued	11,648,358	10,721,713	10,714,448
20.	Financial liabilities held for trading	82,255	82,171	107,469
30.	Financial liabilities designated at fair value (IFRS 7 para. 8 letter e))	-	-	-
40.	Hedging derivatives	945,324	805,952	786,631
50.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	310,976	310,976	465,416
60.	Tax liabilities	145,551	137,461	231,778
	a) current	83,501	83,501	129,357
	b) deferred	62,050	53,960	102,421
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-
80.	Other liabilities	2,981,693	2,244,429	1,379,726
90.	Employee severance benefits	150,541	113,092	117,404
100.	Provisions for risks and charges	439,607	275,796	293,400
	a) commitments and guarantees given	45,531	32,566	32,102
	b) post-employment and similar obligations	34,676	32,959	35,816
	c) other provisions for risks and charges	359,400	210,271	225,482
110.	Technical provisions	-	-	-
120.	Valuation reserves	-58,082	-59,479	-48,443
130.	Redeemable shares	-	-	-
140.	Equity instruments	715,000	715,000	715,000
150.	Reserves	1,770,866	1,771,017	1,640,675
160.	Share premium reserve	3,117,860	3,117,860	3,117,848
170.	Capital	979,236	979,236	979,235
180.	Treasury shares (+/-)	-	-	-
190.	Minority interests (+/-)	153,820	153,799	148,189
200.	Profit (Loss) for the period	562,006	200,245	-53,437
Total liabilities and equity		**103,178,898**	**78,617,219**	**76,453,618**

CONSOLIDATED INCOME STATEMENT

Items		30.06.2021	30.06.2021 net of Creval	30.06.2020
10.	Interest and similar income	499,619	431,216	442,644
	Of which: interest income calculated with the effective interest method	495,851	428,198	441,066
20.	Interest and similar expense	21,309	34,216	36,102
30.	**Net interest income**	**520,928**	**465,432**	**478,746**
40.	Fee and commission income	547,568	503,495	428,365
50.	Fee and commission expense	(24,721)	(20,216)	(17,945)
60.	**Net fee and commission income**	**522,847**	**483,279**	**410,420**
70.	Dividends and similar income	10,608	10,600	10,378
80.	Net profit (loss) on trading activities	16,746	16,687	5,243
90.	Net profit (loss) on hedging activities	(3,916)	(3,897)	(4,689)
100.	Profit (losses) on disposal or repurchase of:	32,325	30,347	1,541
	a) financial assets measured at amortized cost	3,130	1,155	900
	b) financial assets measured at fair value through other comprehensive income	29,172	29,169	590
	c) financial liabilities	23	23	51
110.	Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss"	143	52	(29)
	a) financial assets and liabilities designated at fair value	-	-	-
	b) other financial assets mandatorily measured at fair value	143	52	(29)
120.	**Net interest and other banking income**	**1,099,681**	**1,002,500**	**901,610**
130.	Net losses/recoveries for credit risk on:	(167,091)	(124,635)	(221,391)
	a) financial assets measured at amortized cost	(164,784)	(122,292)	(220,553)
	b) financial assets measured at fair value through other comprehensive income	(2,307)	(2,343)	(838)
140.	Profits/Losses on contract modifications without derecognition	(878)	(633)	(589)
150.	**Net financial income (loss)**	**931,712**	**877,232**	**679,630**
160.	Net premium income	-	-	-
170.	Other net insurance income/expenses	-	-	-
180.	**Net profit (loss) on financial and insurance activities**	**931,712**	**877,232**	**679,630**
190.	Administrative expenses:	(768,208)	(699,738)	(659,965)
	a) personnel expenses	(397,219)	(353,732)	(352,077)
	b) other administrative expenses	(370,989)	(346,006)	(307,888)
200.	Net provisions for risks and charges	(5,693)	(5,424)	(3,971)
	a) commitments and guarantees given	(858)	(641)	(307)
	b) other net provisions	(4,835)	(4,783)	(3,664)
210.	Net adjustments of/recoveries on property, plant and equipment	(45,772)	(40,157)	(40,029)
220.	Net adjustments of/recoveries on intangible assets	(47,921)	(46,463)	(44,633)
230.	Other operating expenses/income	541,906	155,865	135,874
240.	**Operating costs**	**(325,688)**	**(635,917)**	**(612,724)**
250.	Profit (losses) on equity investments	399	-	9,761
260.	Net profit (losses) from property, plant and equipment and intangible assets measured at fair value	(9)	-	-
270.	Goodwill impairment	-	-	-
280.	Profit (losses) on disposals of investments	218	171	66,135
290.	**Profit (Loss) before tax from continuing operations**	**606,632**	**241,486**	**142,802**
300.	Taxes on income from continuing operations	(37,749)	(34,364)	(41,444)
310.	**Profit (Loss) after tax from continuing operations**	**568,883**	**207,122**	**101,358**
320.	Profit (Loss) after tax from discontinued operations	-	-	-
330.	**Profit (Loss) for the period**	**568,883**	**207,122**	**101,358**
340.	Profit (Loss) for the period attributable to minority interests	(6,877)	(6,877)	(4,534)
350.	**Profit (Loss) for the period attributable to the Parent Company**	**562,006**	**200,245**	**96,824**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Items	30.06.21	30.06.21 net of Creval	30.06.20
10.	**Profit (Loss) for the period**	**568,883**	**207,122**	**101,358**
	Other comprehensive income after tax not recycled to profit or loss			
20.	Equity securities designated at fair value through other comprehensive income	1,738	1,091	(3,450)
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-	-
40.	Hedging of equity securities designated at fair value through other comprehensive income		-	
50.	Property, Plant and Equipment	-	-	-
60.	Intangible assets	-	-	-
70.	Defined-benefit plans	1,272	832	778
80.	Non-current assets held for sale and discontinued operations	-	-	-
90.	Share of valuation reserves on equity investments measured using the equity method	-	-	-
	Other comprehensive income after tax reclassified to profit or loss			
100.	Hedges of investments in foreign operations	-	-	-
110.	Foreign exchange differences	-	-	-
120.	Cash flow hedges	-	-	-
130.	Hedging instruments (non-designated elements)	-	-	-
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(12,823)	(13,133)	(21,484)
150.	Non-current assets held for sale and discontinued operations	-	-	-
160.	Share of valuation reserves on equity investments measured using the equity method	-	-	-
170.	**Total other comprehensive income after taxes**	**(9,813)**	**(11,210)**	**(24,156)**
180.	**Comprehensive income (Item 10+170)**	**559,070**	**195,912**	**77,202**
190.	Consolidated comprehensive income attributable to Minority Interests	6,734	6,734	3,846
200.	**Consolidated comprehensive income attributable to the Parent Company**	**552,336**	**189,178**	**73,356**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2021

	Share capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Treasury shares	Profit (Loss) for the period	Shareholders' equity
			Retained earnings reserves	other					
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2020	979,235	3,117,848	1,654,899	-14,224	-48,443	715,000	-	-53,437	6,350,878
MINORITY INTEREST AS AT 31 DEC. 2020	39,717	84,514	13,492	2,939	-697	-	-	8,224	148,189
CHANGE TO OPENING BALANCES									-
GROUP SHAREHOLDERS' EQUITY AS AT 1 JAN. 2021	979,235	3,117,848	1,654,899	-14,224	-48,443	715,000	-	-53,437	6,350,878
MINORITY INTERESTS AS AT 1 JANUARY 2021	39,717	84,514	13,492	2,939	-697	-	-	8,224	148,189
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR									
Reserves (B)	-	-	-45,213	-	-	-	-	45,213	-
Dividends and other allocations (A)	-	-	-91,319	-	-	-	-	-	-91,319
CHANGES IN THE PERIOD	-	-	-	-	-	-	-	-	-
Changes in reserves	-	-	362	300,000	-	-	-	-	300,362
Transactions on equity	-	-	-	-	-	-	-	-	-
Issue of new shares	2	12	-	-	-	-	-	-	14
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-25,347	-	-	-	-	-	-25,347
Charity	-	-		-	-	-	-	-	-
Consolidation adjustments	-	-		-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-		-		-	-	-	-
Changes in equity interests	-290	-468	-414	-	31	-	-	-	-1,141
Comprehensive income	-	-	-	-	-9,813	-	-	568,883	559,070
GROUP SHAREHOLDERS' EQUITY AS AT 30 JUNE 2021	**979,236**	**3,117,860**	**1,485,090**	**285,776**	**-58,082**	**715,000**	**-**	**562,006**	**7,086,886**
MINORITY INTERESTS AS AT 30 JUNE 2021	**39,428**	**84,046**	**21,370**	**2,939**	**-840**	**-**	**-**	**6,877**	**153,820**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2020

	Share capital ordinary shares	Share premium reserve	Reserves: Retained earnings reserves	Reserves: other	Valuation reserves	Equity instruments	Treasury shares	Profit (Loss) for the period	Shareholders' equity
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2019	**979,233**	**3,117,840**	**1,394,343**	**-14,490**	**-62,199**	**715,000**	**-**	**314,069**	**6,443,796**
MINORITY INTEREST AS AT 31 DEC. 2019	**40,417**	**87,250**	**1,891**	**2,939**	**-1,328**		**-**	**12,087**	**143,256**
CHANGE TO OPENING BALANCES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
GROUP SHAREHOLDERS' EQUITY AS AT 1 JAN. 2020	**979,233**	**3,117,840**	**1,394,343**	**-14,490**	**-62,199**	**715,000**	**-**	**314,069**	**6,443,796**
MINORITY INTERESTS AS AT 1 JANUARY 2020	**40,417**	**87,250**	**1,891**	**2,939**	**-1,328**	**-**	**-**	**12,087**	**143,256**
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR									
Reserves	-	-	326,156	-	-	-	-	-326,156	-
Dividends and other allocations	-	-	-	-	-	-	-	-	-
CHANGES IN THE PERIOD	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in reserves	-	-	- 202	-	-	-	-	-	-202
Transactions on equity	-	-	-	-	-	-	-	-	-
Issue of new shares	2	8	-	-	-	-	-	-	10
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-25,811	-	-	-	-	-	-25,811
Charity	-	-	-1,500	-	-	-	-	-	-1,500
Consolidation adjustments	-	-	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	-	-	-	-	-	-
Changes in equity interests	-362	-1,415	-472	-	104	-	-	-	-2,145
Comprehensive income	-	-	-	-	-24,156	-	-	101,358	77,202
GROUP SHAREHOLDERS' EQUITY AS AT 30 JUNE 2020	**979,235**	**3,117,848**	**1,680,709**	**-14,490**	**-85,563**	**715,000**	**-**	**96,824**	**6,489,563**
MINORITY INTERESTS AS AT 30 JUNE 2020	**40,055**	**85,835**	**13,696**	**2,939**	**-2,016**	**-**	**-**	**4,534**	**145,043**

CONSOLIDATED STATEMENT OF CASH FLOWS

		30.06.2021	30.06.2020
A.	**OPERATING ACTIVITIES**		
1.	**Operations**	**911,068**	**472,329**
-	profit (loss) for the period (+/-)	562,006	96,824
-	gains (losses) on financial assets held for trading on financial assets/liabilities measured at fair value through profit or loss (-/+)	-7,657	3,639
-	gains/losses on hedging activities (-/+)	2,402	3,563
-	Net losses/recoveries for credit risk (+/-)	187,935	200,155
-	Net impairment losses/recoveries on property, plant and equipment and intangible assets (+/-)	93,693	84,662
-	Net provisions for risks and charges and other costs/revenues (+/-)	5,693	3,971
-	taxes, levies and tax credits not settled (+)	37,749	41,444
-	Net impairment losses/recoveries on discontinued operations net of tax effect (-/+)	-	-
-	other adjustments (+/-)	29,247	38,071
2.	**Cash flow generated/absorbed by financial assets**	**-3,271,164**	**-7,786,980**
-	financial assets held for trading	27,322	15,443
-	financial assets designated at fair value	-	-
-	financial assets mandatorily measured at fair value	21,709	-34,227
-	financial assets measured at fair value through other comprehensive income	-84,527	23,813
-	financial assets measured at amortized cost	-2,816,239	-7,677,095
-	other assets	-419,429	-114,914
3.	**Cash flow generated/absorbed by financial liabilities**	**2,980,247**	**7,097,144**
-	financial liabilities measured at amortized cost	1,859,363	6,713,945
-	financial liabilities held for trading	-25,326	8,917
-	financial liabilities designated at fair value	-	-
-	other liabilities	1,146,210	374,282
Net cash flow generated/absorbed by operating activities		**620,151**	**-217,507**
B.	**INVESTING ACTIVITIES**		
1.	**Cash flow generated by:**	**30,469**	**161,751**
-	sales of equity investments	-	9,761
-	dividend received on equity investments	10,608	10,378
-	sales of property, plant and equipment	19,861	141,612
-	sales of intangible assets	-	-
-	sales of business units	-	-
2.	**Cash flow absorbed by:**	**-740,147**	**-15,553**
-	purchases of equity investments	-718,800	-
-	purchases of property, plant and equipment	-4,835	-2,797
-	purchases of intangible assets	-16,512	-12,756
-	purchases of business units	-	-
Net cash flows generated/absorbed by investing activities		**-709,678**	**146,198**
C.	**FUNDING ACTIVITIES**		
-	issues/purchases of treasury shares	-744	-1,767
-	issues/purchases of equity instruments	-25,347	-25,811
-	dividend distribution and other	208,681	-
Net cash flows generated/absorbed by funding activities		**182,590**	**-27,578**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR		**93,063**	**-98,887**

RECONCILIATION

Financial Statement items	30.06.2021	30.06.2020
Opening cash and cash equivalents	361,221	370,059
Total net increase/decrease in cash and cash equivalents for the year	93,063	-98,887
Cash and cash equivalents: foreign exchange effect	-	-
Closing cash and cash equivalents	**454,284**	**271,172**

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

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

	31.12.2020	Changes from cash flows generated by financing activities	Changes from obtaining or losing control of subsidiaries or other businesses	Fair value changes	Other changes	30.06.2021
Liabilities arising from financing activities (items 10, 20 and 30 of Liabilities)	66,680,196	24,551,849	-	-267,545	-	90,964,500

Note to the Half-Yearly Condensed Consolidated Financial Statements

ACCOUNTING POLICIES

1. STANDARDS AND METHODS APPLICABLE WITHIN THE GROUP, ASSUMPTIONS AND ESTIMATES USED

1.1 Applicable standards and comparability

The half-yearly condensed consolidated financial statements of the Crédit Agricole Italia Banking Group as at 30 June 2021 were prepared and presented in compliance with IAS 34 "Interim Financial Reporting", which lays down the minimum information content and identifies the accounting standards and measurement bases to be applied to half-yearly condensed financial statements. This half-yearly report and financial statements have been prepared in accordance with Article 154-ter of the Italian Consolidated Law on Finance as the reporting entity is an issuer of financial instruments having Italy as the Member State of origin.

The accounting standards and interpretations used to prepare the half-yearly condensed consolidated financial statements, having regard to the classification, recognition, measurement and derecognition of assets and liabilities, as well as to recognition of the relevant revenues and costs, are the same ones used by the Crédit Agricole Italia Banking Group to prepare its consolidated financial statements as at 31 December 2020, which were prepared and presented in compliance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations given by the IFRS Interpretations Committee (IFRIC) and endorsed by the European Commission, in accordance with Regulation (EC) No. 1606/2002 of 19 July 2002.

As regards the standards and principles that have not been amended vs. those used to prepare the financial statements as at 31 December 2020, please, see the relevant information given in the 2020 Annual Report.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION IN FORCE IN 2021

In compliance with IAS 8, the table below reports the new international accounting standards or the amendments to standards already in force, along with the Regulations endorsing them, that shall mandatorily be applied for reporting periods starting on or after 1 January 2021.

Standards, amendments or interpretations	Publication date	Date of first application
Amendment to IFRS 4 Insurance Contracts Temporary Exemption from Applying IFRS 9	16 December 2020 (EU No. 2020/2097)	1 January 2021
Amendments to IAS 39, IFRS 7 and IFRS 9 – Interest rate benchmark reform – Phase 2	14 January 2021 (EU No. 2021/25)	1 January 2021(*)

(*) As described in paragraph "Benchmarks Interest Rate Reform" below, the Crédit Agricole Italia Banking Group decided to for the early adoption of the 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

Information on the new standards and on the amendments thereto applying to reporting periods starting on or after 1 January 2021 is given below.

On 18 May 2017, the International Accounting Standard Board (IASB) published the new IFRS 17 "Insurance contracts", which shall replace IFRS4 IASB postponed the entry into force of the new standard, which was initially applicable to reporting periods starting on or after 1 January 2021 and is now applicable to reporting periods starting on or after 1 January 2023, granted that it is endorsed by the European Union.

On 16 December 2020, Regulation (EU) 2020/2097 laying down amendments to IFRS 4 was published on the Official Journal of the European Union. In particular, the amendments to IFRS 4 extend the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17 and, thus, to address the temporary accounting consequences of the different effective dates of the two standards. The aforementioned amendments to the accounting standards are not relevant for the Crédit Agricole Italia Banking Group.

Benchmark Interest Rate Reform

The "Benchmarks" Project of the Crédit Agricole Group, which has been implemented also in the Crédit Agricole Italia Banking Group, coordinates the transition to the new benchmarks for the Group and supervises compliance by the Entities with the Benchmarks Regulation (BMR, Regulation (EU) 2016/1011) as amended.by Regulation (EU) 2021/168.

In 2021, the benchmark interest rate reforms have been speeding up due to the deadlines set by the work groups on alternative rates and by the competent authorities. With its announcement made on 5 March 2021, the Financial Conduct Authority (FCA) confirmed 31 December 2021 as the date of cessation or loss of representativeness of the LIBOR settings for the various currencies, except for the most widely used tenors of USD LIBOR, which will no longer be published or will lose representativeness after 30 June 2023. Furthermore, in 2021 banks shall progressively discontinue the use of the LIBOR settings for new contracts, in accordance with the related currency and asset class.

In the market of OTC derivative contracts, the ISDA "2020 IBOR Fallbacks" Protocol, which entered into force on 25 January 2021, allow existing contracts to be automatically supplemented with the fallback clauses laying down the replacement rates in case of the cessation of the used benchmark. The banks of the Crédit Agricole Italia Banking Group adhered to the aforementioned ISDA Protocol.

For the time being, the list of the main benchmarks used by the Crédit Agricole Group and/or defined as "critical" by ESMA or "systemic", which are concerned with certain or potential transition, has not changed:

- EONIA, which will no longer be published after 3 January 2022;
- LIBOR, for its different currencies GBP, CHF, JPY, EUR and USD, the cessation or loss of representativeness of which will take place at the end of December 2021, or at the end of June 2023 for most of the USD LIBOR tenors;
- EURIBOR, WIBOR, STIBOR, the end of which is possible but has not been scheduled in the short term.
- EURIBOR, LIBOR (especially USD) and EONIA represent– in a decreasing order – the largest exposures of the Crédit Agricole Group to benchmarks.

In order for the hedging relationships concerned with the benchmark rate reform to continue in force despite the uncertainties about the timetable and the methods for transition from the present benchmarks to the new ones, in September 2019 IASB issued some amendments to IAS 39, IFRS 9 and IFRS 7, which were endorsed by the EU on 15 January 2020. The Crédit Agricole Group will apply said amendments until the uncertainties about the evolution in the benchmark rates generate consequences on the amounts and on the maturity of cash flows.

As at 30 June 2021, in the Crédit Agricole Italia Banking Group, the hedging instruments impacted by the reform and on which uncertainties remained, all linked to EURIBOR, had a nominal value of Euro 31.4 billion.

Other amendments, which were published by IASB in August 2020 and endorsed by the European Union in January 2021, have supplemented those published in 2019 and focus on the accounting consequences of the replacement of the old benchmarks with alternative ones subsequent to the reforms. Those amendments, known as "Phase 2", mainly concern changes in contractual cash flows. They allow Entities not to adjust the book value of financial instruments in order to reflect the changes caused by the reform, but rather to update the effective interest rate provided for by the amortized cost method in order to reflect the change in the alternative benchmark. In terms of hedge accounting, Entities will not be required to interrupt their hedging relationships when making the changes required by the reform. The Group opted for early application of said amendments starting on 31 December 2020.

As at 30 June 2021, for the Crédit Agricole Italia Banking Group, the breakdown by relevant benchmark of the instruments linked to the benchmarks being reformed was as follows:

GBCAI	EONIA	EURIBOR	USD LIBOR	GBP LIBOR	CHF LIBOR
Total financial assets (excluding derivatives)	153,960	38,304,764	6,829	13,271	201
Total financial liabilities (excluding derivatives)	-	5,516,888	-		-
Total notional value of derivatives	-	42,863,032	-	26,980	-

Having regard to the exposures to EONIA, the tables reports only the items maturing after 3 January 2022, the transition date.

Having regard to the exposures to USD LIBOR, the table reports only the items maturing after 31 December 2021 for the 1W and 2M tenors or maturing after 30 June 2023 for the O/N, 1M, 3M, 6M and 12M tenors, in compliance with the dates of cessation or loss of representativeness of the various tenors.

Having regard to the exposures to LIBOR in currencies other than the USD, the table reports only the items maturing after 31 December 2021.

Having regard to non-derivative financial instruments, the reported exposures are the nominal values of securities and the residual debt on instruments with an amortization schedule.

Amendment to IFRS 16 – Covid-19-Related Rent Concessions

In 2020, the IFRS Foundation approved an amendment to IFRS 16 in order to clarify how Covid-19-related concessions should be recognized by lessees that prepare their financial statements in accordance with IAS/IFRS.

In accordance with that amendment, which was endorsed by the EU on 12 October 2020 with the publication of Regulation (EU) 2020/1434, lessees are exempt from the obligation to assess whether the Covid-19-related concessions are lease contractual modifications, allowing them to be qualified as “variable rent” directly through profit or loss, in order to report the changes in the payments due.

On 31 March 2021, the IASB issued document “Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)” whereby the eligibility period for the application of the amendments to ’IFRS 16 (paragraphs 46A and 46B) concerning Covid-19-related rent concessions was extended by one year (from June 2021 to June 2022).

In H1 2021, for the Crédit Agricole Italia Banking Group the application of the above-described amendments to IFRS 16 had no impacts on profit or loss.

1. General Preparation Principles

The condensed consolidated financial statements consist of:

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

The Half-yearly Condensed Consolidated Financial Statements have been prepared using the Euro as the reporting currency; the amounts are expressed in thousands of Euros, where not otherwise specified.

These Half-yearly Condensed Consolidated Financial Statements, as the Annual Report and Financial Statements as at 31 December 2020, were prepared on a going-concern basis.

The accounting standards, estimates and measurement policies used by Creval for its contribution to the report and financial statements for H1 2021 are consistent with those used to prepare the annual report and financial statements as at 31 December 2020. Consequently, the alignment with the measurement Policies and estimate methods of the Crédit Agricole Group will progressively take place in H2 2021.

Indeed, as reported in paragraph “Risks and uncertainties” of the Half-yearly Consolidated Report, the analyses that were carried out based on the information currently available, despite the complex scenario featuring uncertainty about the development of the Covid-19 pandemic and about the effectiveness of the measures deployed by Governments and Central Banks, have given grounds to conclude that the Group will be able to handle the risks and uncertainties caused by the economic situation. This assessment takes into account the capitalization level reached, which shows a reassuring buffer higher than the ECB requirements, with liquidity above the regulatory threshold.

The preparation of the Half-yearly Condensed Consolidated Financial Statements entails the use of estimates and assumptions to determine some cost and revenue components, as well as to measure assets and liabilities. Making such estimates entails the use of the information that is available at the relevant time and of subjective assessments. For full information on such estimates and assumptions, please see the 2020 Annual Report.

It is reported that, as regards the quantification of losses on impairment of financial assets, the measurement of the fair value of financial instruments, the impairment test on goodwill and the analysis of recoverability of deferred tax assets, the estimates and assumptions related thereto and used to prepare the half-yearly consolidated financial statements may change subsequent to new information becoming available in the next months and based on its reliability, especially about the evolution in the Covid-19 spread and the related containment measures, as well as about the effectiveness of the actions deployed by Governments and national and international financial institutions to support economic recovery.

2. Scope and Method of Consolidation

2.1 Scope of consolidation

In addition to the Parent Company, Crédit Agricole Italia S.p.A., the consolidation perimeter includes its subsidiaries and associates specified below.

In accordance with IFRS 10, Subsidiaries are companies in which Crédit Agricole Italia S.p.A., directly or indirectly, holds at the same time:

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

The companies in which Crédit Agricole Italia S.p.A., directly or indirectly, holds over 50% of the rights to vote in the General Meeting of Shareholders are considered subsidiaries.

Control exists also where the Group, even though not holding the majority of the voting rights, has sufficient rights to unilaterally manage and direct the investee's relevant activities or where it holds:

- Substantial potential voting rights through underlying call options or convertible instruments;
- Rights that result from contractual agreements and that, combined with its voting rights, make the Group actually able to manage and direct production processes, other management or financial activities, i.e. activities that significantly affect the investee's returns;
- Power to affect, under the investee's articles of association or other agreements, its governance and decision-making processes concerning relevant activities;
- The majority of voting rights under formally executed agreements with other holders of voting rights (for example, voting agreements and shareholders' agreements).

Special-purpose entities/special-purpose vehicles (SPE/SPV) have also been included, when the requirements are met, also irrespective of the existence of a majority shareholding.

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

Likewise, despite holding at least a 20% equity investment, significant influence may not be exercised due to legal ties, voting agreements or other relevant elements that affect the entity's governance.

The methods used to consolidate the data of subsidiaries (line-by-line consolidation) are the same ones used to prepare the Annual Report and Consolidated Financial Statements as at 31 December 2020.

2.2 Equity investments in subsidiaries

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

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

Company name	Headquarters	Type of control(1)	Equity investment		Actual % of votes available %
			Investor	% held	
A. Companies					
Parent Company					
Crédit Agricole Italia S.p.A.	Parma, Italy				
A1. Companies consolidated on a line-item basis					
1. Crédit Agricole FriulAdria S.p.A.	Pordenone, Italy	1	Crédit Agricole Italia S.p.A.	82.30%	82.69%(2)
2. Crédit Agricole Leasing Italia S.r.l.	Milan, Italy	1	Crédit Agricole Italia S.p.A.	85.00%	85.00%
3. Sliders S.r.l.	Milan, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
4. Mondo Mutui Cariparma S.r.l. in liquidation	Milan, Italy	4	Crédit Agricole Italia S.p.A.	19.00%	19.00%
5. Crédit Agricole Italia OBG S.r.l.	Milan, Italy	1	Crédit Agricole Italia S.p.A.	60.00%	60.00%
6. Credit Agricole Group Solutions S.c.p.a.	Parma, Italy	1	Crédit Agricole Italia S.p.A.	89.10%	89.10%
			Crédit Agricole FriulAdria S.p.A.	8.75%	8.75%
			Crédit Agricole Leasing Italia S.r.l.	1.19%	1.19%
7. Crédit Agricole Real Estate Italia S.r.l.	Parma, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
8. Agricola Le Cicogne S.r.l.	Faenza, Italy	1	Crédit Agricole Italia S.p.A.	50.01%	50.01%
9. San Piero Immobiliare Srl	Cesena, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
10. San Giorgio Immobiliare S.r.l.	Cesena, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
11. Le Village by CA Parma S.r.l.	Parma, Italy	1	Crédit Agricole Italia S.p.A.	66.67%	66.67%
12. Credito Valtellinese S.p.A.	Sondrio, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
13. Stelline Real Estate S.p.A.	Sondrio, Italy	1	Credito Valtellinese S.p.A.	100.00%	100.00%
14. Creval PiùFactor S.p.A.	Milan, Italy	1	Credito Valtellinese S.p.A.	100.00%	100.00%
15. Creval Covered Bond S.r.l.	Conegliano Veneto (TV), Italy	1	Credito Valtellinese S.p.A.	60.00%	60.00%
16. Quadrivio RMBS 2011 S.r.l.	Conegliano Veneto (TV), Italy	4			
17. Quadrivio SME 2018 S.r.l.	Conegliano Veneto (TV), Italy	4			
11. Le Village by CA Triveneto S.r.l.	Padua, Italy	1	Crédit Agricole FriulAdria S.p.A.	51.00%	51.00%

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

2.3 Joint ventures and investees subject to significant influence

Company name	Headquarters	Type of control[1]	Equity investment		Availability
			Investor	% held	Actual % of votes available
A2. Consolidated using the equity method					
1. Fiere di Parma S.p.A.	Parma, Italy	8	Crédit Agricole Italia S.p.A.	32.42%	32.42%
2. Le Village by CA Milano S.r.l.	Milan, Italy	8	Crédit Agricole Italia S.p.A.	38.91%	38.91%
3. Rajna Immobiliare S.r.l.	Sondrio, Italy	7	Credito Valtellinese S.p.A.	50.00%	50.00%
4. Sondrio Città Futura S.r.l.	Milan, Italy	8	Stelline Real Estate S.p.A.	49.00%	49.00%
5. Generalfinance S.p.A.	Milan, Italy	8	Credito Valtellinese S.p.A.	46.81%	46.81%
6. Global Broker S.p.A.	Milan, Italy	8	Credito Valtellinese S.p.A.	30.00%	30.00%
7. Valtellina Golf Club S.p.A.	Caiolo (SO), Italy	8	Credito Valtellinese S.p.A.	43.08%	43.08%

Following the successful completion of the public tender offer for all the shares in Credito Valtellinese S.p.A, the Group consolidation perimeter as at 30 June 2021 includes also the Creval companies.

It is also reported that "Le Village by CA Triveneto srl", a subsidiary of Crédit Agricole FriulAdria was incorporated on 18 June 2021.

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

1. ALL-CASH VOLUNTARY PUBLIC TENDER OFFER MADE BY CRÉDIT AGRICOLE ITALIA FOR ALL THE SHARES IN CREDITO VALTELLINESE (CREVAL)

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

Moreover, after the completion of the sell-out and squeeze-out procedures, Crédit Agricole Italia now holds 100% of Creval share capital, for a total consideration of Euro 861 million. The consideration per share paid by Crédit Agricole Italia was €12.27 (ex-dividend, i.e. not including the 2021 Dividend). In addition, a dividend of €0.23 per share was paid on 28 April 2021 by Creval, resulting in a total consideration per share of €12.50.

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

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

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

- Increased critical mass in areas that are complementary and adjacent to the ones already served, strengthening local coverage of Customers;
- Considerable strengthening in Northern Italy (~70% of the proforma number of branches);
- Two-fold increase in the market share in Lombardy (from 3% to over 6%), where Creval operates with more than 40% of its branches, thus becoming the seventh bank in the Region, a considerable improvement in the largest and wealthiest Region in Italy and, especially, in Milan;

- Size increase in the Piedmont, Marche and Lazio Regions, as well as access to new Regions, including the most dynamic metropolitan areas in Sicily, Valle d'Aosta and Trentino.

Therefore, the success of this deal has strengthened the Group's competitive position in Italy, with the creation of a stronger Italian Banking Group, which benefits from the financial strength, support, skills and range of products and services of one the largest and most successful European groups, with considerable positive impacts on the economy of the communities concerned and in the interest of all stakeholders. Specifically, the combination generates benefits:
- For Customers, as they now have access to an attractive and complete range of financial solutions, including the full range of Bancassurance products and services of the Crédit Agricole Group, a leading player in Europe;
- For the human resources of Creval, who have become part of a financial group that is a leading player in the industry and a top employer;
- For shareholders, thanks to a return on their investment of more than 10% within the third year, based on cost and funding synergies only, continuing to develop the Group's raison d'être with a strong commitment to providing support to the Italian economy and local communities, proving once again close to the regions.

Relying also on the successful integrations made in the past (specifically Cassa di Risparmio di Rimini, Cassa di Risparmio di Cesena and Cassa di Risparmio di San Miniato), Crédit Agricole Italia is confident that it can integrate Creval keeping risks to a minimum.

Crédit Agricole Italia expects to achieve higher efficiency exclusively on a voluntary basis, with a collaborative and inclusive approach to the integration process, drawing on its recent experience and following a defined governance and monitoring structure, with special focus on the inclusion of Creval's personnel.

The deal finalization

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

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

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

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

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

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

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

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

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

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

The acquisition recognition

The above-described acquisition, whereby Crédit Agricole Italia obtained control of Creval, has been qualified in the Group consolidated financial statements as a ""business" acquisition and, therefore, recognized in accordance with the accounting treatment provided for by IFRS 3 "Business Combinations" using the purchase method, based on which all the identifiable acquired assets and the assumed identifiable liabilities (including contingent liabilities) must be measured at their fair value as at the acquisition date. Moreover, for each business combination, any minority interests in the acquired company may be recognized at fair value or proportionally to the minority interest in the identifiable net assets of the acquired company. For this business combination, the Group opted for the recognition at, fair value of the minority interests. IFRS 3 provides for the following steps in the business combination treatment:

- Identification of the acquirer and determination of the acquisition date;
- Determination of the cost of the acquisition (or consideration transferred);
- Purchase Price Allocation (PPA) and recognition of the gain or bargain purchase (badwill).

Identification of the acquirer and determination of the acquisition date;

IFRS 3 requires that, for every finalized business combination, one of the entities participating in said combination be identified as the "acquirer". Generally, in any business combination finalized essentially through transfer of cash and cash equivalents (or of other assets or by assuming liabilities), the acquirer is the entity that transfers cash, cash equivalents or the other assets or that assumes the liabilities.

With the Public Tender Offer, Crédit Agricole Italia acquired 91.17% of Creval share capital. Therefore, Crédit Agricole Italia was identified as the acquirer.

The acquisition date was identified as the date of settlement of the Public Tender Offer (30 April 2021). Determining the acquisition date is important also because it is only from said date that the business profit or loss of the acquired investee are to be consolidated on a line-by-line basis in the acquirer's balance sheet. Furthermore, it is also the date on which the fair value of the assets acquired and liabilities assumed is measured.

Determination of the cost of the acquisition (or consideration transferred)

For the Public Tender Offer, Crédit Agricole Italia incurred a total cost of Euro 786 million as the price for obtaining 91.17% of Creval share capital.

Within the subsequent procedures required under the Italian Consolidated Law on Finance (sell-out and squeeze-out procedures) and because of the shares it purchased under direct agreements not in the scope of said procedures, Crédit Agricole Italia purchased all remaining shares, equal to 8.83% of Creval share capital for a total cost of Euro 76 million, thus obtaining control of 100% of the acquiree. The total amount paid for the acquisition of 100% of Creval share capital was Euro 862 million.

Purchase Price Allocation (PPA) and recognition of the “gain or bargain purchase”

IFRS 3 – Business Combinations- requires that any business combination be recognized as at the date of acquisition, applying the acquisition method. The application of said method entails the recognition and measurement of the identifiable assets acquired and identified liabilities assumed, as well as of any minority interest in the acquiree as at the acquisition date, at their respective fair values.

Any unallocated surplus of the purchase cost must be recognized as goodwill; otherwise, the negative difference resulting from the recognition of the business combination at favourable prices must be recognized as negative goodwill (o badwill) in profit or loss.

The acquisition of 91.17% of the acquiree’s share capital entailed payment of a consideration of Euro 786 million. The fair value of the remaining minority interest was Euro 76 million. The difference between the sum of said components and the assets acquired and liabilities assumed at their book value as per the acquiree’s financial statements amounted to Euro 1,787 million and generated gross badwill before their measurement at fair value (Purchase Price Allocation – PPA) of Euro 925 million.

IFRS 3 allows the initial recognition of a business combination to be provisional and gives the acquirer a period of 12 months to obtain the information, as at the acquisition date, that is necessary and useful to identify and measure the necessary elements for the final recognition of the business combination, adjusting the provisional amounts with retroactive effects from the acquisition date.

Exercising said option under IFRS 3, for its half-yearly financial report as at 30 June 2021 the Group made a first measurement at fair value of the acquiree’s assets and liabilities and expects to have the Purchase Price Allocation (PPA) process completed by the end of FY 2021.

The reasons why on 30 June 2021 the PPA process had not yet been completed were mainly the very short time between the deal closing and the preparation of this half-yearly financial report, given that Crédit Agricole Italia acquired 100% of Creval share capital on 4 June 2021 after the end of the aforementioned Joint Procedure.

Furthermore, the first General Meeting of Creval sole shareholder Crédit Agricole Italia, which appointed the new Board of Directors, was held on18 June 2021 and only on that date the due diligence and the analysis of the assets and liabilities of the acquiree could be started.

In any case, the provisional PPA exercise focused on the areas of Creval financial statements chosen based on their risk level, through a preliminary analysis of the main asset and liability items, which led to the recognition of negative adjustments of the first consolidation balances, with a final review to be completed by the PPA completion date based on the full analysis of all the useful information as at the acquisition date.

For the time being, said provisional exercise has not yet completed the measurement of asset and liability items whose assessment requires more exhaustive and in-depth analyses.

Based on the information currently available and on the specific situation, also the corporate situation, as at 30 June 2021,considering that, at said date, Creval was not and was not entitled to be part of the Group tax consolidation scheme for the current year, and considering also that Creval reported tax losses for which the probability test carried out on the 2020 financial statements has given grounds for the recognition of the related DTA to a partial extent only, as there is limited convincing evidence of future income, it was decided not to recognize deferred tax assets (DTA) on the provisional PPA impacts.

According to the results of the provisional measurement as at 30 June 2021, which, therefore, was carried out based only on the above considerations, the PPA came to Euro 542 million. Therefore, the difference between gross badwill of Euro 925 million and the provisional PPA figure entailed the recognition of badwill (a gain recognized in profit or loss) amounting to Euro 378 million, which shall be reviewed at the end of the current FY, also in the light of the information obtained through the Due Diligence process recently started.

Said difference was recognized in profit or loss for the period as gains from Badwill (income statement item "230. Other operating expenses/income").

Creval consolidation difference is broken down below.

Creval consolidation figures (negative goodwill)	
Creval equity as at 30 June 2021 (+)	1,786,670
Minority interests (-)	76,028
Acquisition cost (-)	786,110
Negative consolidation difference (negative goodwill) gross of accounting adjustments	**924,532**
"Provisional" effects of the adjustment of accounting items to fair value(*)	-546,900
- Non-performing loans to customers (-)	336,000
- Disputes and contingent liabilities (-)	74,600
- Security portfolio (-)	33,100
- Outstanding bonds and due to customers (-)	53,200
- Real estate portfolio (-)	50,000
Negative consolidation difference (negative goodwill) net of accounting adjustments	**377,632**

(*) As specified above, a final review will be carried out by the PPA completion date in the light of the full analysis of all the necessary and useful information as at the acquisition date.

2. VOLUNTARY PUBLIC TENDER OFFERS MADE BY CRÉDIT AGRICOLE ITALIA IN 2018 FOR THE SHARES IN CRÉDIT AGRICOLE FRIULADRIA

On 16 June 2021 Crédit Agricole Italia announced a voluntary public tender offer for 4,159,603 ordinary shares in its subsidiary Crédit Agricole FriulAdria S.p.A, admitted to trading on the multilateral trading facility called "Hi-Mtf" – "Order Driven" segment – representing 17.233% of its share capital.

At present, Crédit Agricole Italia owns 19,865,895 shares in Crédit Agricole FriulAdria, amounting to 82.302% of its share capital and exercises management and coordination activities on Crédit Agricole FriulAdria as it controls it pursuant to Article 93 of the Italian Consolidated Law on Finance.

Following the offer, consistently with the single bank project started by the Group with the previously acquired banks, Crédit Agricole Italia intends to proceed with the merger by absorption of Crédit Agricole FriulAdria into Crédit Agricole Italia by H2 2022. Thanks to full integration, the management and operational flexibility of the Crédit Agricole Italia Banking Group will increase and the Group will be able to pursue its strategic objectives in a more agile manner.

The merger will be part of a wider reorganization of the Crédit Agricole Italia Banking Group following the acquisition by Crédit Agricole Italia of the entire share capital of Creval through the voluntary public tender offer completed in Q2 2021.

As Crédit Agricole Italia shares are not traded on any regulated market or on multilateral trading facility, subsequent to the merger Crédit Agricole FriulAdria shareholders would become the owners of financial instruments that are unlisted and thus illiquid and consequently difficult to sell and representing a very small stake in the share capital of Crédit Agricole Italia.

Furthermore, although traded on the Hi-Mtf, Crédit Agricole FriulAdria shares have always featured low trading volumes and, therefore, poor liquidity. This is the reason why on 14 December 2018 a contract between Crédit Agricole Italia and Equita SIM S.p.A. entered into force under which the latter operated in order to support the liquidity of the shares; said the term of validity of said contract ended on 15 June 2021 (and it was not renewed as, in accordance to the contract itself, the liquidity supporting activities would have been discontinued after the announcement of the public tender offer). Therefore, any shareholders of Crédit Agricole FriulAdria intending to liquidate their investment in its shares may find that difficult.

Considering the above, consistently with its vocation as a bank always standing by the communities it operates in and as a token of its attention to the customers that are also Crédit Agricole FriulAdria shareholders, Crédit Agricole Italia decided to make the public tender offer in order to give Crédit Agricole FriulAdria shareholders an opportunity of disinvestment at a good price.

Crédit Agricole Italia has offered a consideration in cash up to a maximum amount of €40 for each share concerning which the offer is accepted consisting of:

- A fixed component in cash (the "Immediate Consideration") amounting to €35 per share, which shall be paid at the end of the Acceptance Period and of any Extended Term as defined in the Offer Document;
- A deferred component in cash (the "Deferred Consideration") amounting to €5 per share, which shall be paid in Q3 2024 upon condition that the shareholders that has accepted the Offer complies with some requirements laid down in the Offer Document.

That price entails a total investment of Euro 166 million to be made by Crédit Agricole Italia in order to become the owner of 100% of the share in Crédit Agricole FriulAdria. Taking both the immediate and deferred considerations into account, the total maximum consideration included a share premium of 37.9% vs. the last share price on 11 June 2021 (i.e. the date of the last weekly auction on the 'Hi-Mtf before the Offer announcement date – on 16 June 2021 – which was €29); the immediate component only includes a 20.7% premium on the share last market price.

Consistently with the announcement it made on 7 July 2021, Crédit Agricole Italia filed the Offer document, which shall be published at the end of the processing carried out by Consob. The Offer Acceptance Period shall have duration of between a minimum of 15 and a maximum of 40 stock exchange trading days – unless extended – and shall start after the publication of the Offer Document in compliance with the applicable law. For the time being, the acceptance period is expected to start in August 2021.

3. COVID-19 EFFECTS: ACCOUNTING IMPACTS

Applying some accounting standards necessarily entails the use of estimates and assumptions, which can generate significant effects on the values recognized in the Balance Sheet and in the Income Statement, as well as on the information on contingent assets and liabilities. The economic effects generated by the Covid-19 epidemic and the uncertainties in the macroeconomic scenario have required, since FY 2020, a thorough analysis and weighting of the new economic situation in the models for measuring the recoverable amount of the Group's assets. In this situation, the Regulators gave several indications aimed at supporting the banking system and allowing sufficient flexibility to manage this difficult period.

The issued accounting measures focused on:

- The determination of Expected Credit Losses under IFRS9, use of forward-looking scenarios and post-model adjustments;
- The identification of guidelines for the treatment of concessions to debtors and consequent assessments of any material increase in credit risk;
- Transparency and completeness of the related information in the financial statements;
- Measurement and impairment testing of non-financial assets.

For more exhaustive and detailed information on the documents issued by the Regulator, please see the Note to the Group's Consolidated Financial Statements as at 31 December 2020.

To address the emergency experienced in 2020, the banking system has strengthened its policies for the monitoring, management and control of risks, especially of credit risk. The extraordinary measures deployed by the Group in favour of businesses and households ensured immediate provision of support to customers, while constant attention was paid to the credit quality of the originated loans and to the assessment of their recoverability.

Given the impact of the crisis caused by the Covid-19 pandemic, in H2 2020 specific criteria were defined for the identification of the portfolio to be subjected to closer monitoring on a priority basis – also with new review processes supplementing ordinary ones. In H1 2021 the evolution in the situation related to the pandemic was monitored, assessing time by time any impacts on the main estimates of the Bank and of the Group.

3.1 ECL governance and measurement

The Risk Management and Permanent Controls Department is responsible for defining the methodological framework and for overseeing the process for ECL-related impairment of exposures and provisioning. The calculation of impairment of performing assets is represented within the overall cost of credit process, which is coordinated by the Unlikely to Pay (UTP) Management Division.

To define the IFRS 9 parameters required to calculate ECL, the Crédit Agricole Italia Banking Group has primarily relied on its internal rating system and on the other regulatory processes already implemented.

The assessment of credit risk is based on an expected loss model and extrapolation based on reasonable future scenarios. All information that is available, pertinent, reasonable and justifiable, including forward-looking information, shall be taken into account.

Therefore, in compliance with the requirements laid down by the standard, in order to estimate parameters, a set of forward-looking scenarios is used, each one of which is weighted by the related probability of occurrence. In agreement with its French Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group uses four different macroeconomic scenarios. Said scenarios can be summarized as follows:

- Central scenario, i.e. the most likely scenario;
- Moderately adverse scenario, i.e. the economic scenario in moderately adverse conditions;
- Budget stress scenario, i.e. the most adverse scenario used within the Stress exercise at the end of the budget preparation;
- Favourable scenario, i.e. the economic scenario in favourable conditions.

The weights to be assigned to the four scenarios – which may vary at each new estimation of the parameters – are defined by the Crédit Agricole Group (Group Economic Research Department of CAsa).

The Crédit Agricole Banking Group updates the estimate of the parameters at least every year. The evolution in the macroeconomic scenario caused the need for intra-year assessments updating the reference parameters. The ECL calculation formula comprises the following parameters:

- Probability of Default – PD,
- Loss Given Default – LGD,
- Exposure At Default (EAD).

As already pointed out, these parameters have also been defined broadly based on the internal models used as part of the regulatory framework (where any), although they had to be adjusted in order to determine an ECL fully compliant with IFRS 9. Indeed, the standard requires a Point-in-Time analysis as at the reporting date, while taking account of the historical loss data and forward-looking macroeconomic data. Therefore, based on the above, the accounting approach is different from the prudential framework, where analyses are multiyear and Through the Cycle to estimate the Probability of Default (PD); moreover, such analyses shall include the Downturn in the estimate of the Loss Given Default (LGD), whereas this effect is not envisaged in the IFRS 9 LGD.

ECLs are calculated according to the type of product concerned, i.e. financial instruments or off-balance sheet instruments. Expected credit losses are discounted at the effective interest rate (EIR) used for the initial recognition of the financial instrument. The models and parameters used are backtested at least annually by the Risk Management and Permanent Controls Department.

3.2 Significant deterioration of credit risk

For each financial instrument, the Crédit Agricole Italia Banking Group assesses the deterioration in credit risk from origination to each reporting date. Based on this assessment of changes in credit risk, exposures are classified into the different risk stages.

Monitoring on significant deterioration shall cover every financial instrument, unless specific exceptions apply. Contagion is not required for the downgrading of financial instruments of the same counterparty from stage 1 to stage 2.

Significant deterioration monitoring shall consider the change in credit risk of the principal debtor without taking account of any guarantee, including for transactions with a shareholder guarantee.

To measure the significant deterioration of credit risk since initial recognition, it is necessary to use the internal rating and Probability of Default (PD) at origination. The Probability of Default at origination is compared to the Probability of Default as at the reporting date and, setting the change between the two PDs against the deterioration thresholds estimated with a statistical approach, it can be assessed whether the financial instrument has undergone significant deterioration vs. origination. In case of significant deterioration, the financial instrument shall be classified in stage 2. Otherwise, the instrument shall remain in stage 1.

The table below shows the PD change thresholds set by the Parent Company and used to classify instruments into the three stages:

Portfolio		SICR (significant increase in credit risk) threshold
Large Corporate		2,0%
Small Medium Enterprises		3,0%
Retail Bnkg	Individuals with real estate collaterals	2,0%
	Qualified rotating Retail Exposures	6,0%
	Other exposures to individuals	3,0%
	Small Enterprises and Sole Traders	3,0%

Origination means the settlement date or the date on which the Bank became bound by the contractual terms of the financial instrument. For financing and guarantee commitments, origination means the date on which the irrevocable commitment was made.

For exposures without an internal rating model, the Crédit Agricole Italia Banking Group uses non-payment as at the reporting date or in the previous 12 months. In case of non-payment, as at the reporting date or in the previous months, the exposure is downgraded to stage 2.

For exposures (with the exception of securities) for which internal rating models have been implemented and applied (all the more so if the rating models have been validated), the Crédit Agricole Italia Banking Group considers that all of the information incorporated into the rating systems allows for a more detailed assessment than the non-payment for over 30 days criterion alone as a back-stop threshold.

Other factors for downgrading to stage 2 are:
- A PD absolute threshold is breached. This threshold is set at 12% for the corporate portfolio and at 20% for the retail portfolio;
- No rating as at the assessment date if regarding loans disbursed over six months before;
- The exposure being classified as forborne performing (definition given below).

If the conditions that triggered downgrading to stage 2 no longer apply, impairment may be reduced to 12-month ECL (stage 1).

For security portfolios, the Crédit Agricole Italia Banking Group uses an approach that consists in applying an absolute level of credit risk, in accordance with IFRS 9, at the breaching of which exposures shall be classified in stage 2 and provisioned for based on ECL at maturity.

Therefore, the following rules shall apply for monitoring significant deterioration of securities:
- "Investment Grade" (IG) securities, at the reporting date, shall be classified in stage 1 and provisioned for based on 12-month ECL;

- “Non-Investment Grade” (NIG) securities, at the reporting date, shall be subject to monitoring for significant deterioration, since origination, and be classified in Stage 2 (lifetime ECL) in the event of significant deterioration in credit risk.

The related deterioration shall be assessed prior to the occurrence of a known default (Stage 3).

3.3 Multi-scenario calculation

To estimate the parameters used in calculating the forward-looking scenarios at the 30 June 2021 reporting date, the weights set by the Parent Company Crédit Agricole S.A. were the following:
- Central scenario, 60%;
- Moderately adverse scenario, 25%;
- Stressed budget scenario, 5%;
- Favourable scenario, 10%;

In compliance with IFRS 9, the ECL is estimated weighting forward-looking scenarios; therefore, the various scenarios were weighted by their probability of occurrence, as given above.

The main macroeconomic indicators used to define the scenarios were prepared by the ECO structure of the French Parent Company Crédit Agricole S.A. specializing in macroeconomic studies.

Indicators used as at 30 June 2021

	HALF-YEAR FINANCIAL REPORT Main macroeconomic indicators for 2021-2023															
	Central Scenario				Moderately adverse scenario				Stressed budget				Favorable			
	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Italy GDP	-8.9%	3.8%	3.9%	1.5%	-8.9%	1.7%	2.5%	1.1%	-8.9%	-0.5%	1.4%	1.0%	-8.9%	5.0%	3.5%	1.3%
EU GDP	-7.0%	3.9%	4.0%	2.3%	-7.0%	2.3%	2.9%	2.2%	-7.0%	-1.1%	3.4%	1.7%	-7.0%	4.8%	4.4%	2.7%
Industrial Production Index (IPI)	-10.4%	6.7%	4.5%	0.9%	-10.4%	3.9%	2.3%	0.9%	-10.4%	2.7%	1.8%	1.2%	-10.4%	7.1%	4.3%	1.2%
Investments in Buildings	-6.6%	10.0%	4.3%	3.3%	-6.6%	6.4%	1.8%	2.6%	-6.6%	6.3%	3.8%	4.1%	-6.6%	11.4%	4.9%	2.9%
Investments in machinery	-15.2%	10.8%	4.4%	3.5%	-15.2%	7.3%	3.2%	3.2%	-15.2%	-3.8%	6.6%	4.2%	-15.2%	12.7%	5.3%	2.7%
Employment rate	-1.0%	0.3%	0.3%	0.3%	-1.0%	-0.2%	0.4%	0.4%	-1.0%	-1.9%	0.9%	0.2%	-1.0%	0.5%	0.4%	-0.1%
Propensity to consume	-5.0%	-0.2%	3.7%	0.4%	-5.0%	-0.8%	2.8%	0.2%	-5.0%	-2.7%	1.7%	0.8%	-5.0%	0.3%	2.7%	0.2%
Public expenditure	1.6%	2.8%	-0.1%	-0.8%	1.6%	1.8%	-0.2%	-0.8%	1.6%	1.5%	-0.3%	-0.8%	1.6%	2.8%	-0.1%	-0.8%
WEIGHT	60%				25%				5%				10%			

The main underlying assumptions are:
- The central scenario: after a -8.9% decrease in the Italian GDP in 2020, new restriction and lockdown phases are envisaged in the first months of 2021 with red/orange zones but schools partially opened. Progressive reopening from May 2021, with the vaccination campaign speeding up and vaccinated people coming to 50% in July 2021, to 66% at the end of August and to 80% at the end of October. In 2021 the Italian GDP should grow by 3.8%, accelerating slightly in 2022 reaching a stable growth pace of 1.5% in 2023;
- The moderately adverse scenario, vs. the central scenario, envisages worse evolution in the health situation in 2021, with tougher restrictive measures curbing the growth in the Italian GDP IT to no more than +1.1% in 2023, new variants of the virus and slower and more difficult vaccination campaigns having acceptable effects only from 2022;
- The stressed budget scenario is the most severe scenario with no recovery in the short term. It is considered a variant of the moderately adverse scenario and envisages a long-lasting decrease in consumption due to lockdowns in force one after the other. Recovery is expected from 2022, with the Italian GDP growth rate having a peak at 1.4% and then stabilizing at 1% in 2023;
- The favorable scenario is considered a variant of the central scenario with economic recovery at a somewhat faster pace in early 2021, the year in which the GDP IT reaches its peak at +5.0%, but, from 2022 on, the GDP is expected to grow by +3.5%, i.e. at a slower pace than in the central scenario, which then goes down to +1.3% in 2023 (vs. +1.5% in the central scenario).

In order to prevent excessive volatility of models caused by the strong growth in macroeconomic indicators in 2021-2023 following the deep depression expressed by the 2020 indicators thus mitigating excessive procyclicality, Crédit Agricole S.A. decided that the whole Group was to adopt the smoothing approach (lissage in French) for some macroeconomic variables (Italian and Euro Area GDP, fixed investments in constriction and machinery, Industrial output index) in order to spread the effects of the 2020 economic slump over the following forecast years. This treatment can be justified with the uncertainty in the effectiveness of the measures to stimulate the economy (moratoria, new liquidity…) on the probabilities of default in the first year.

The economic scenarios used in the 2020 Annual Report are also given, in order to represent the main changes occurred.

Indicators used as at 31 December 2020

	HALF-YEAR FINANCIAL REPORT Main macroeconomic indicators for 2020-2023															
	Central Scenario				Moderately adverse scenario				Stressed budget				Favorable			
	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Italy GDP	-9.7%	3.7%	4.7%	1.9%	-9.7%	1.3%	3.4%	2.1%	-9.7%	-0.5%	1.4%	1.0%	-9.7%	5.6%	2.0%	0.7%
EU GDP	-8.2%	12.1%	-0.6%	-1.4%	-8.2%	10.7%	0.4%	-1.1%	-8.2%	0.7%	3.4%	1.7%	-8.2%	5.3%	2.7%	1.3%
Industrial Production Index (IPI)	-5.3%	2.7%	3.2%	0.2%	-5.3%	1.5%	1.9%	1.5%	-5.3%	2.7%	1.8%	1.2%	-5.3%	5.7%	4.2%	0.2%
Investments in Buildings	-13.5%	4.4%	8.2%	4.3%	-13.5%	4.0%	6.8%	4.3%	-13.5%	6.3%	3.8%	4.1%	-13.5%	8.9%	4.9%	3.2%
Investments in machinery	-19.6%	-1.7%	8.3%	4.8%	-19.6%	-0.8%	7.6%	4.8%	-19.6%	-3.8%	6.6%	4.2%	-19.6%	10.0%	6.9%	4.5%
Employment rate	-2.4%	0.7%	0.6%	0.5%	-2.4%	0.1%	0.7%	0.5%	-2.4%	-0.5%	0.9%	0.2%	-2.4%	0.7%	0.6%	0.5%
Propensity to consume	-7.4%	1.5%	2.3%	1.3%	-7.4%	-0.8%	2.4%	1.6%	-7.4%	-0.2%	1.7%	0.8%	-7.4%	4.0%	0.9%	0.0%
Public expenditure	0.3%	4.0%	-0.1%	-0.8%	0.3%	4.0%	-0.1%	-0.8%	0.3%	1.5%	-0.3%	-0.8%	0.3%	1.2%	-0.3%	-0.8%
WEIGHT	55%				20%				5%				20%			

Scenario sensitivity analysis

Within the revision of the parameters used for the IFRS9 calculation of the H2 2021 figures, the Crédit Agricole Italia Banking Group estimated the sensitivity of the ECL figure to the different macroeconomic scenarios given by the Crédit Agricole Group Economic Research Department – ECO, which is a specialist in macroeconomic studies.

To estimate the impact from the different scenarios identified, the maximum weighting was associated to each scenario, each time zeroing the contribution from the others in determining the forward-looking risk parameters and, thus, assessing the marginal contribution of each scenario to the final result.

Sensitivity was estimated on the June 2021 data in a lab environment and later applied to the H1 2021 closing data. The application of the observed variations to the June 2021 calculation results for the Crédit Agricole Italia Banking Group is summarized in the table below, which shows the range of figures that can obtained with the above-described method.

€/mln	EAD	ECL Multi-scenario	Sensitivity analysis: ECL per single scenario			
			Central Scenario	Moderately adverse scenario	Stressed budget	Favourable
RETAIL BNKG	30,207	136	134	143	149	131
Stage 1	28,375	38	37	40	44	37
Stage 2	1,832	98	97	103	105	94
CORPORATE BNKG	37,979	173	171	191	197	159
Stage 1	36,567	69	67	74	81	61
Stage 2	1,412	104	104	117	115	99
SECURITIES	10,820	14	13	16	17	7
Stage 1	10,815	14	13	16	17	7
Stage 2	5	-	-	-	-	-
TOTAL	**79,007**	**323**	**318**	**350**	**363**	**297**
Deviation			**-1.5%**	**8.2%**	**12.3%**	**-8.0%**
Weight			**60%**	**25%**	**5%**	**10%**

The table reports the result of the ECL sensitivity analysis based on the simulated scenarios and the related percentage deviation from the "multi-scenario" used for the accounting 'ECL , which can vary from Euro 297 million (-8% decrease) to Euro 363 million in the Stress *Budgetaire* scenario used for budget simulations (12.3% increase). The recognized amount of Euro 323 million reflects the weights on the Central and Moderately Adverse Scenarios.

3.4 Post-model adjustments

Following the Forward-Looking Local ECL calculation as at the end of June 2021, the Crédit Agricole Italia Banking Group made management overlays for a total amount of Euro 62.1 million. Said adjustments can be broken down into two types:

- Single-name adjustments (adjustments on single positions) whereby the results could be aligned with the expectations – in terms of risk profile – of the IFRS9 work group. In accordance with the regulated process, based on the results obtained with the calculation approach defined by the Group and based on the management information of the single counterparties, if the expected loss value associated with a specific counterparty does not accurately reflect its riskiness, the provisioning on the counterparty may be adjusted manually to a level deemed appropriate; such manual actions are allowed only if they increase the coverage ratio on the counterparty. Single-name adjustments also include adjustments of the ECL value associated with exposures to the Bank of Italy, to the State Treasury and to intra-group positions (with effects on the separate financial statements of the Group's entities);
- Reclassifications of portfolio in stage 2. In order to foretell any latent risk situations linked to moratoria, consistently with the end of the last year, the Crédit Agricole Italia Banking Group made manual adjustments, in terms of both staging and coverage on a significant cluster of positions for which it cannot be ruled out that the concession of payment suspension may have generated an impact on the risk parameters used for stage classification and for the ECL calculation;
- Portfolio adjustments made through massive spreading of the identified amounts over all positions proportionally to the ECL. Said case included the following actions:
  - Inclusion of an impact generated by the recalibration of the IFRS9 for the new definition of default, which went live in the systems of the Crédit Agricole Italia Banking Group on 7 September 2020;
  - Manual adjustments in order to restore the coverage of a cluster of positions for which it cannot be ruled out that the concession of the Covid-19-related moratorium has entailed benefits in the 'ECL calculation (in addition to the impact on the FLL ECL due to the reclassification of some positions under Covid-19-related moratoria to Stage 2 as reported above);
  - Actions concerning methodological elements not yet included in the used parameters or the shifting from a regulatory FIRB LGD to a management one, also for the Corporate segment and the implementation of a Forward-Looking Local model also for the LGD value;
  - Actions aimed at mitigating the impacts on the impairment of positions with State guarantees that had not been correctly factored in to calculate the Forward-Looking Local ECL;
  - Marginal actions on the risk parameters linked to corrections requested by the Validation Unit within its annual validation and not yet implemented in the risk parameters.

3.5 Covid-19-related contractual modifications

Since March 2020, the Crédit Agricole Italia Banking Group has been giving its Customers the possibility to suspend repayment of mortgage loans and other loans, concomitantly extending their maturity by the suspension period. In the year, the solutions to suspend repayment were made progressively compliant with the applicable legislation entered into force and with the agreements between the Italian Banking Association (ABI) and trade associations, which the Group immediately signed in order to ensure the highest possible protection to its Customers.

As at 30 June 2021, the loans whose repayment was suspended amounted to Euro 8.4 billion (of which Euro 546 million in Creval loans).

The accounting treatment of said concessions in favour of Customers was in accordance with the reference regulatory framework defined by the documents issued by the Regulator, and specifically by the EBA, in 2020 and therefore already applied in preparing the annual report and consolidated financial statements as at 31 December 2020.

The moratoria the Group has offered to its Customers consist in postponing the payment schedule (in case payment of the full instalment is suspended, the date of interest collection is also postponed), which has caused no impacts on the present value of the exposures under moratoria; therefore, applying modification accounting, no profits or losses resulting from said concessions have been recognized. Furthermore, the moratoria falling within the EBA Guidelines scope have not, as a rule, entailed the classification of the exposure as forborne or its automatic classification in stage 2 with consequent calculation of the related lifetime expected loss. Consistently with the approach indicated by the ECB, the classification as Unlikely to Pay of Customers that benefited from moratoria was not based solely on their application for said concession, but also on forward-looking assessments of said positions, strengthening the monitoring processes on priority portfolios. The performed analyses aimed at assessing whether there are periodic flows that are adequate to ensure the loan repayment once the suspension measure ends, in order to detect any later risk situations in said perimeter.

3.6 Loans guaranteed by the State

Reasserting the Group's commitment to providing tangible response and its will to stand by those Customers that have been worst hit by the health emergency, the program comprises solutions to ensure liquidity to all the Group's Customers, also through the measures laid down by Italian Liquidity Decree Law of 8 April 2020 and the law enacting it:

In accordance with the relevant accounting principles, these loans are recognized at amortized cost. As at 30 June 2021, the Crédit Agricole Italia Banking Group had participated in the origination of loans backed by State guarantees for an amount of over Euro 4.83 billion (of which Euro 1.56 billion in the Creval perimeter).

3.7 Impairment testing of goodwill

In accordance with IAS 36, the Crédit Agricole Italian Banking Group carries out impairment testing on recognized goodwill and intangible assets with finite useful life at least one a year (usually at the end of the financial year). Consistently with the approach adopted by the Parent Company Casa, for half-year testing the financial parameters used in the impairment test model were the same used for the latest impairment test performed in December 2020. At the end of H1 performance analyses were carried out to verify whether there were any impairment indicators, based on which no need was found to carry out an impairment test as at 30 June 2021.

3.8 Deferred Tax Assets (DTA): probability test

Having regard to the recognition of DTA and to the related probability test, no situations that may reduce their absorption capacity were found other than those represented in the 2020 Annual Report and Financial Statements.

4. REALIGNMENT OF BOOK AND TAX VALUES OF SOME TANGIBLE AND INTANGIBLE ASSETS

Under Article 110 of Italian Decree Law 104/2020, as amended by Italian Law 178/2020, in accordance with the set rules, the tax values of some tangible and intangible assets may be realigned to their higher book values, by paying a 3% substitute tax, the first instalment of which was due by 30 June 2021. Said realignment provides for the related values to be stated in the 2020 income tax return, which is to be filed by November 2021, as well as for an undistributable reserve, which shall be resolved on by a General Meeting. Considering the interpretations available to date, it has been decided to proceed with the realignment of properties and of intangible assets with finite useful life recognized in Crédit Agricole Italia financial statements subsequent to the absorption of the Fellini Banks to which realignment under Article 172 of Italian Presidential Decree 917/1986 or Italian Decree Law 185/2008 were not applied in the past, paying the related substitute tax and recognizing the related effects in the income statement and in the balance sheet.

Subsequent to the realignment, the DTA/DTL values previously not aligned were updated.

This generated a positive effect on the "taxes" item of the income statement for the period of approximately Euro 37.9 million.

OTHER INFORMATION

OPTION FOR THE ITALIAN NATIONAL TAX CONSOLIDATION

In March 2016, the formal notice was sent to the *Agenzia delle Entrate* (the Italian Inland Revenue Service) whereby, effective from 2015, the option was exercised for the national tax consolidation of the Crédit Agricole 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 an EU Member State, may exercise the option for consolidated taxation. At present, 23 Companies of the Group have opted to join the tax consolidation scheme and, having been designated by CASA, Crédit Agricole Italia has the role of Consolidating Entity.

OPTION FOR THE VAT GROUP

In November 2018, the option for a VAT Group scheme pursuant to Article 1 paragraph 24 of Italian Law no. 232 of 11 December 2016 was exercised, with effects as of 1 January 2019; the VAT Group includes the subsidiaries of Crédit Agricole Italia having, at the same time, financial, economic and organisational links in force between them, as provided for by Italian Ministerial Decree of 6 April 2018 and by Circular no. 19/2018

The VAT Group initially consisted of 14 CA entities and Crédit Agricole Italia is the VAT Group Representative Member. To date, the VAT Group consists of 11 entities.

Thanks to this scheme, the member entities operate, for VAT purposes, as a single taxable person in their transactions with external companies, with a single VAT registration number. The main advantage generated by the exercise of this option is that, in general, the transactions between the Group member entities are not subject to VAT.

TAX-RELATED DISPUTES

Some years ago several disputes were started with the *Agenzia delle Entrate* (the Italian Revenue Agency) as the Agency reclassified the transfers of branches from the Intesa Sanpaolo Group to Crédit Agricole Italia and Crédit Agricole FriulAdria and the subsequent transfer of the received equity investments to the institutional Shareholders of the two Banks as sales of business units.

Although favourable judgements were obtained and believing that its conduct has always been fair and lawful, considering the very modest costs, in agreement with the parties jointly and severally involved, it was deemed appropriate to exercise the option provided for by Italian Decree Law 119/2018 (so-called tax amnesty measures). The competent authorities have already proceeded with the first formalizations of the dispute termination.

Nevertheless, two disputes are still open concerning the transfers made in 2011 to Crédit Agricole Italia, for a total tax amount of Euro 11.7 million, plus interest, claimed from all the parties in the transfer on a joint and several basis; as regards these disputes in agreement with all parties concerned, it was decided not to exercise the Tax Amnesty option, as the cost would have been excessive.

On the transaction requalification, favourable fist -and second-instance court judgements have already been obtained and the Italian Court of Cassation's ruling is pending. Having said that, also in this case, the Group believes that its conduct has always been fair and lawful and expects a favourable outcome of the dispute, also on the grounds of the aforementioned judgements, considering that the charge – if any – would be shared between the parties jointly and severally involved under specific agreements, on a prudential basis a provision of Euro 1.15 million has remained

Other minor disputes are underway for taxes totalling Euro 3 million, plus any interest and penalties, for which the Group believes it has good grounds as its conduct has always been fair and lawful, as substantiated, in several cases, by fully or partially favourable judgements.

More specifically:

- A dispute involving Crédit Agricole Italia for alleged failure to pay a tax account receivable under Italian Decree Law 185/2008 for the amounts credited by it to Customers relating to the State contribution on floating-rate mortgage loans that were taken out by 31 October 2008. The total amount claimed is Euro 1.3 million, including penalties. The first-instance judgement upheld the tax claim but ruled out any penalties. As its arguments are believed to be valid, it was decided to continue the dispute and the second instance hearing is pending;
- Some disputes on registration tax on legal deeds coming from the merged entity Cassa di Risparmio di Rimini, for a total amount of Euro 0.38 million;
- A dispute coming from Crédit Agricole Carispezia, which was absorbed in 2019, concerning the determination of the taxable base for the Italian Regional Tax on Productive Activities (IRAP) for 2013, for a total amount, including tax, interest and penalties, of Euro 0.177 million; the first-instance judgement was in favour of the Group and the second-instance judgement is pending;
- A similar dispute regarding 2014 is underway, for a total amount of Euro 0.26 million, for which the first-instance judgement is pending;
- Four disputes of Crédit Agricole Leasing regarding the years 2013, 2014, 2015 and 2016, respectively, and concerning VAT application to certain boat leases for a total amount, including tax, penalties and interest, of Euro 0.35 million, 0.67 million, 0.28 million and 0.19 million, respectively. As regards 2013, the first-instance court proceeding of 2019 upheld the Inland Revenue Agency's claim, rejecting penalties, and, as regards 2014, the decision of the court of first instance issued in 2021 upheld the Inland Revenue Agency's claim. The notices of the assessments on 2015 and 2016 were served in May and June 2021, respectively; against these claims also the Company intends to file appeal. Although the Group has filed appeal against the aforementioned judgements, a provision of Euro 0.28 million has been made, also considering possible recourse against the Customers, taking the possible recovery into account;
- Some disputes, involving Crédit Agricole Leasing, are still underway concerning the capacity as taxpayer for the Italian Town Property Tax (IMU) on terminated property lease contracts. Considering the uncertainty in the relevant case law, for said claim, totalling Euro 1 million, the Company has set aside a provision for risk of Euro 0.3 million, which was calculated based on the claimed amounts, as the disputes had temporarily negative outcomes.

PURCHASE OF TAX CREDITS – ECOBONUS

Within the measures deployed by the Italian Government to support the economy, Decree Law no. 34/2020 (so-called "Relaunch" Decree) gives the possibility to deduct certain types of expenses as tax credits. Under the "ecobonus" and "earthquake bonus" schemes, as well as under other incentive schemes for building works, an incentive is a rebate in the price due to the vendor with a tax credit given to the vendor.

The Crédit Agricole Italia Banking Group rolled out the service for the purchase of tax credits from Customers and concomitantly, in accordance with the instructions given by the Bank of Italy (Bank of Italy/Consob/Ivass Document no. 9 of 5 January 2021) implemented a specific accounting policy. In accordance with the applicable legislation, said policy provides for the recognition of purchased tax credits as assets in the Balance Sheet, under item 120 "Other assets", with initial recognition at fair value, equal to the purchase price paid to the Customers. For these tax credits, the Group also chose the "Hold to collect" Business Model (i.e. an investment to be held to maturity) and consequently recognized them with the amortized cost method.

The income component of the rebate (delta between the credit nominal value and cash outflow) has been recognized in the Income Statement under item 10 "Interest and similar income". Said interest income over the credit life has been allocated with the amortized cost method.

As at 30 June 2021 the balance of purchased tax credits came to Euro 120 million, generating interest income of Euro 1 million taken to the income statement.

STATUTORY AUDIT OF THE ACCOUNTS

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

The statutory audit of the accounts was performed by EY S.p.A. until the approval of the 2020 Annual Report and Financial Statements.

On 28 April 2021, the General Meeting of Crédit Agricole Italia Shareholders resolved to assign the statutory audit of the accounts and related services for the 2021-2029 period to PricewaterhouseCoopers S.p.A.

The Half-yearly report and condensed consolidated financial statements for H1 2021 was subject to limited review by the aforementioned audit firm.

BALANCE SHEET AGGREGATES

Balance sheet figures at 30 June 2021 are reported below with the comparison figures for the previous year. The changes in these aggregates have been commented on in the Half-yearly Report on Operations.

Reclassified Consolidated Balance Sheet

Assets	30.06.2021	30.06.2021 net of Creval(*)	31.12.2020	Changes	
				Absolute	%
Net financial Assets/Liabilities at fair value	208,088	52,808	47,449	5,359	11.3
Financial assets measured at fair value through other comprehensive income (IFRS 7, para. 8 letter h))	4,539,831	3,388,828	3,307,045	81,783	2.5
Loans to Customers	77,433,085	59,059,589	58,306,963	752,626	1.3
Equity investments	42,635	882,840	20,483	862,357	ns
Property, plant and equipment and intangible assets	2,992,840	2,516,155	2,570,520	-54,365	-2.1
Tax assets	2,039,688	1,307,661	1,455,306	-147,645	-10.1
Other assets	2,059,961	1,727,013	1,847,428	-120,415	-6.5
Total assets	**89,316,128**	**68,934,894**	**67,555,194**	**1,379,700**	**2.0**

Liabilities	30.06.2021	30.06.2021 net of Creval(*)	31.12.2020	Changes	
				Absolute	%
Net due to banks	4,510,887	3,638,293	2,588,795	1,049,498	40.5
Funding from Customers	72,223,731	54,302,305	54,959,033	-656,728	-1.2
Net financial liabilities/assets at fair value	-	-	-	-	100.0
Tax liabilities	145,551	137,461	231,778	-94,317	-40.7
Other liabilities	4,605,105	3,590,269	2,865,717	724,552	25.3
Specific-purpose provisions	590,148	388,888	410,804	-21,916	-5.3
Capital	979,236	979,236	979,235	1	-
Equity instruments	715,000	715,000	715,000	-	-
Reserves (net of treasury shares)	4,888,726	4,888,877	4,758,523	130,354	2.7
Valuation reserves	-58,082	-59,479	-48,443	11,036	22.8
Equity attributable to minority interests	153,820	153,799	148,189	5,610	3.8
Profit (Loss) for the period	562,006	200,245	-53,437	253,682	ns
Total equity and net liabilities	**89,316,128**	**68,934,894**	**67,555,194**	**1,379,700**	**2.0**

(*) The “Net of Creval” column reports the consolidated balances net of Creval balances, of consolidation entries and of the provisional PPA.

Reconciliation of the official and reclassified balance sheets

Assets	30.06.2021	30.06.2021 net of Creval (*)	31.12.2020
Net financial Assets/Liabilities at fair value	**208,088**	**52,808**	**47,449**
20 a. Financial assets held for trading	76,408	75,860	95,231
20 b. Financial assets designated at fair value	-	-	-
20 c. Financial assets mandatorily measured at fair value	213,935	59,119	59,687
20. Financial liabilities held for trading	-82,255	-82,171	-107,469
30. Financial liabilities designated at fair value	-	-	-
Financial assets measured at fair value through other comprehensive income	**4,539,831**	**3,388,828**	**3,307,045**
30. Financial assets measured at fair value through other comprehensive income	4,539,831	3,388,828	3,307,045
Loans to Customers	**77,433,085**	**59,059,589**	**58,306,963**
40 b. Loans to Customers	77,433,085	59,059,589	58,306,963
Equity investments	**42,635**	**882,840**	**20,483**
70. Equity investments	42,635	882,840	20,483
Property, plant and equipment and intangible assets	**2,992,840**	**2,516,155**	**2,570,520**
90. Property, Plant and Equipment	1,389,774	929,435	951,837
100. Intangible assets	1,603,066	1,586,720	1,618,683
Tax assets	**2,039,688**	**1,307,661**	**1,455,306**
110. Tax assets	2,039,688	1,307,661	1,455,306
Other assets	**2,059,961**	**1,727,013**	**1,847,428**
10. Cash and cash equivalents	454,284	303,612	361,221
130. Other assets	782,103	613,472	317,089
50. Hedging derivatives (Assets)	705,919	705,919	1,026,602
60. Fair value change of financial assets in macro-hedge portfolios	104,010	104,010	137,309
120. Non-current assets held for sale and discontinued operations	13,645	-	5,207
Total assets	**89,316,128**	**68,934,894**	**67,555,194**

Liabilities	30.06.2021	30.06.2021 net of Creval	31.12.2020
Net due to banks	**4,510,887**	**3,638,293**	**2,588,795**
40 a. Due from banks	-13,780,515	-9,600,154	-8,790,955
10 a. Due to banks	18,292,844	13,239,889	11,380,898
To deduct: Lease liabilities	-1,442	-1,442	-1,148
Funding from Customers	72,223,731	54,302,305	54,959,033
10 b) Due to Customers	60,941,043	43,808,062	44,477,381
To deduct: Lease liabilities	-365,670	-227,470	-232,796
10 c) Debt securities issued	11,648,358	10,721,713	10,714,448
Net financial liabilities/assets at fair value	-	-	-
20. Financial liabilities held for trading			
30. Financial liabilities designated at fair value	-	-	-
Tax liabilities	145,551	137,461	231,778
60. Tax liabilities	145,551	137,461	231,778
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-
Other liabilities	4,605,105	3,590,269	2,865,717
10 a. Due to banks: of which lease liabilities	1,442	1,442	1,148
10 b. Due to customers: of which lease liabilities	365,670	227,470	232,796
40. Hedging derivatives (Liabilities)	945,324	805,952	786,631
50. Fair value change of financial liabilities in macro-hedge portfolios	310,976	310,976	465,416
80. Other liabilities	2,981,693	2,244,429	1,379,726
Specific-purpose provisions	**590,148**	**388,888**	**410,804**
90. Employee severance benefits	150,541	113,092	117,404
100. Provisions for risks and charges	439,607	275,796	293,400
Capital	**979,236**	**979,236**	**979,235**
170. Capital	979,236	979,236	979,235
Equity instruments	**715,000**	**715,000**	**715,000**
140. Equity instruments	715,000	715,000	715,000
Reserves (net of treasury shares)	**4,888,726**	**4,888,877**	**4,758,523**
150. Reserves	1,770,866	1,771,017	1,640,675
160. Share premium reserve	3,117,860	3,117,860	3,117,848
180. Treasury shares (+/-)	-	-	-
Valuation reserves	**-58,082**	**-59,479**	**-48,443**
120. Valuation reserves	-58,082	-59,479	-48,443
Minority interests	**153,820**	**153,799**	**148,189**
190. Minority interests	153,820	153,799	148,189
Profit (Loss) for the period	**562,006**	**200,245**	**-53,437**
200. Profit (Loss) for the period	562,006	200,245	-53,437
Total liabilities and equity	**89,316,128**	**68,934,894**	**67,555,194**

Loans to Customers

Items	30.06.2021	30.06.2021 net of Creval	31.12.2020	Changes	
				Absolute	%
- Current accounts	3,144,572	1,666,006	1,694,587	-28,581	-1.7
- Mortgage loans	43,725,280	33,111,533	32,098,272	1,013,261	3.2
- Advances and credit facilities	16,710,218	14,920,820	14,957,137	-36,317	-0.2
- Repurchase agreements	-	-	-	-	-
- Non-performing loans	1,550,310	1,394,214	1,486,146	-91,932	-6.2
Loans to Customers	**65,130,380**	**51,092,573**	**50,236,142**	**856,430**	**1.7**
Securities measured at amortized cost	12,302,705	7,967,016	8,070,821	-103,805	-1.3
Total	**77,433,085**	**59,059,589**	**58,306,963**	**752,625**	**1.3**

Loans to customers: credit quality

Items	30.06.2021			31.12.2020		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
- Bad loans	1,910,479	1,420,278	490,201	1,486,652	1,016,811	469,841
- Unlikely to Pay	1,979,589	960,577	1,019,012	1,522,816	540,108	982,708
- Past-due/overdraft loans	45,519	4,422	41,097	36,652	3,055	33,597
Non-performing loans	**3,935,588**	**2,385,277**	**1,550,310**	**3,046,120**	**1,559,974**	**1,486,146**
Performing loans – stage 2	2,950,127	192,421	2,757,705	3,129,755	199,233	2,930,522
Performing loans – stage 1	61,841,761	204,271	61,637,490	45,913,213	93,739	45,819,474
Performing loans	**64,791,888**	**396,692**	**64,395,196**	**49,042,968**	**292,972**	**48,749,996**
Loans to Customers	**68,727,475**	**2,781,970**	**65,945,506**	**52,089,088**	**1,852,946**	**50,236,142**
Securities at amortized cost	11,497,612	10,033	11,487,579	8,080,913	10,092	8,070,821
Total	**80,225,087**	**2,792,003**	**77,433,085**	**60,170,001**	**1,863,038**	**58,306,963**

Total adjustments of June 2021 include provisional calculation of the PPA and Creval total adjustments.

Item “Performing loans – stage 1” includes the tranches relating to senior securities acquired as part of the sale of non-performing loans by the subsidiary Creval.

Loans to Customers: credit quality – data net of Creval

Items	30.06.2021			31.12.2020		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
- Bad loans	1,541,033	1,086,907	454,126	1,486,652	1,016,811	469,841
- Unlikely to Pay	1,419,092	493,781	925,311	1,522,816	540,108	982,708
- Past-due/overdraft loans	16,377	1,600	14,777	36,652	3,055	33,597
Non-performing loans	**2,976,503**	**1,582,288**	**1,394,214**	**3,046,120**	**1,559,974**	**1,486,146**
Performing loans – stage 2	2,950,127	192,421	2,757,705	3,129,755	199,233	2,930,522
Performing loans – stage 1	47,039,247	98,593	46,940,654	45,913,213	93,739	45,819,474
Performing loans	**49,989,374**	**291,014**	**49,698,360**	**49,042,968**	**292,972**	**48,749,996**
Loans to Customers	**52,965,876**	**1,873,303**	**51,092,574**	**52,089,088**	**1,852,946**	**50,236,142**
Securities at amortized cost	7,976,797	9,782	7,967,015	8,080,913	10,092	8,070,821
Total	**60,942,673**	**1,883,085**	**59,059,589**	**60,170,001**	**1,863,038**	**58,306,963**

Funding from Customers

Items	30.06.2021	30.06.2021 net of Creval	31.12.2020	Changes	
				Absolute	%
- Deposits	2,050,374	708,327	1,336,293	-627,966	-47.0
- Current and other accounts	57,994,244	42,582,726	42,590,306	-7,580	0.0
- Other items	530,756	289,540	317,987	-28,447	66.9
- Repurchase agreements	-	-	-	-	-
Due to Customers	**60,575,374**	**43,580,593**	**44,244,586**	**-663,993**	**36.9**
Debt securities issued	11,648,357	10,721,712	10,714,447	7,265	0.1
Total direct funding	**72,223,731**	**54,302,305**	**54,959,033**	**-656,728**	**-1.2**
Indirect funding	**89,639,789**	**78,787,158**	**75,425,320**	**3,361,838**	**4.5**
Total funding	**161,863,520**	**133,089,463**	**130,384,353**	**2,705,110**	**2.1**

Indirect funding

Items	30.06.2021	30.06.2021 net of Creval	31.12.2020	Changes	
				Absolute	%
- Asset management products	23,850,094	19,025,074	17,885,483	1,139,591	6.4
- Insurance products	26,701,021	23,322,557	22,007,529	1,315,028	6.0
Total assets under management	**50,551,115**	**42,347,631**	**39,893,012**	**2,454,619**	**6.2**
Assets under administration	**39,088,674**	**36,439,527**	**35,532,308**	**907,219**	**2.6**
Indirect funding	**89,639,789**	**78,787,158**	**75,425,320**	**3,361,838**	**4.5**

Securities

Items	30.06.2021	30.06.2021 net of Creval *	31.12.2020	Changes	
				Absolute	%
Financial assets and liabilities measured at fair value through profit or loss					
- Debt securities	2,847	94	95	-1	-1.1
- Equity securities and units of collective investment undertakings	211,681	59,118	59,761	-643	-1.1
- Loans	-	-	-	0	0.0
- Derivative financial instruments with positive FV	75,815	75,767	95,062	-19,295	-20.3
Total assets	**290,343**	**134,979**	**154,918**	**-19,939**	**-12.9**
- Derivative financial instruments with negative FV	82,255	82,171	107,469	-25,298	-23.5
Total liabilities	**82,255**	**82,171**	**107,469**	**-25,298**	**-23.5**
Net Total	**208,088**	**52,808**	**47,449**	**5,359**	**11.3**
Financial assets measured at fair value through other comprehensive income					
- Debt securities	4,233,231	3,147,443	3,066,208	81,235	2.6
- Equity securities	306,600	241,385	240,837	548	0.2
- Loans	-	-	-	-	ns
Total	**4,539,831**	**3,388,828**	**3,307,045**	**81,783**	**2.5**

Government securities held

	30.06.2021			30.06.2021 net of Creval *		
	Nominal value	Book value	Revaluation reserve	Nominal value	Book value	Revaluation reserve
Financial assets held for trading						
Italian Government securities	12	16	X	11	15	X
Argentinian Government securities	47	0	X	47	-	X
Other Government securities	4	5				
Financial assets through other comprehensive income						
Italian Government securities	3,676,642	4,018,665	18,439	2,833,200	3,147,443	17,405
Financial assets carried at amortized cost						
Italian Government securities	10,156,500	10,999,211	X	7,146,000	7,794,596	X
French Government securities:	-	-	-			
Spanish Government securities:	278,000	304,671	-	-	-	
Portuguese Government securities	10,000	11,278	-	-	-	
Greek Government securities:	-	-	-			
Other Government securities	-	-	-			
Total	**14,121,205**	**15,333,845**	**18,439**	**9,979,258**	**10,942,053**	**17,405**

Specific-purpose provisions

Items	30.06.2021	30.06.2021 net of Creval	31.12.2020	Changes	
				Absolute	%
Employee severance benefits	150,540	113,091	117,404	-4,313	-3.7
Provisions for risks and charges	439,608	275,797	293,400	-17,603	-6.0
a) commitments and guarantees given	45,531	32,566	32,103	463	1.4
b) post-employment and similar obligations	34,676	32,959	35,816	-2,857	-8.0
c) other provisions for risks and charges	359,401	210,272	225,481	-15,209	-6.7
Total specific-purpose provisions	**590,148**	**388,888**	**410,804**	**-21,916**	**-5.3**

Equity

Items	30.06.2021	30.06.2021 net of Creval	31.12.2020	Changes	
				Absolute	%,
Share capital	979,236	979,236	979,235	1	0.0
Share premium reserve	3,117,860	3,117,860	3,117,848	12	0.0
Reserves	1,770,866	1,771,017	1,640,675	130,342	7.9
Equity instruments	715,000	715,000	715,000	-	0.0
Reserve for valuation of financial assets through other comprehensive income	-6,590	-7,612	4,363	-11,975	
Reserves from valuation of actuarial gains (losses) relating to defined-benefit pension plans	-51,492	-51,867	-52,806	-939	-1.8
Treasury shares	-	-	-	-	ns
Profit for the period	562,006	200,245	-53,437	253,682	
Total (book) equity	**7,086,886**	**6,723,879**	**6,350,878**	**373,001**	**5.9**

Own Funds

Own Funds and capital ratios	30 June 2021	31 Dec. 2020
Common Equity Tier 1 (CET1)	**4,040,794**	**3,814,405**
Additional Tier 1 (AT1)	724,733	725,089
Tier 1 (T1)	**4,765,527**	**4,539,494**
Tier 2 (T2)	990,939	849,756
Own Funds	**5,756,466**	**5,389,251**
Risk-weighted assets	**34,916,229**	**27,336,813**
of which by credit and counterparty risks and by the risk of value adjustment of the loan	30,827,512	24,269,634
CAPITAL RATIOS		
Common Equity Tier 1 ratio	**11.6%**	**14.0%**
Tier 1 ratio	**13.6%**	**16.6%**
Total Capital ratio	**16.5%**	**19.7%**

PROFIT OR LOSS

In the following statements, the Income Statement figures as at 30 June 2021 are given and compared to the figures referring to the same period last year. The changes in these aggregates have been commented on in the Half-yearly Report on Operations.

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

Reclassified Consolidated Income Statement

	30.06.2021	30.06.2021 net of Creval	30.06.2020
Net interest income	523,695	468,199	479,838
Net fee and commission income	522,691	483,086	411,413
Dividends	10,608	10,600	10,378
Profit (loss) on financial activities	42,186	40,284	1,175
Other operating income (expenses)	-339	-2,325	10,825
Net operating revenues	**1,098,841**	**999,844**	**913,629**
Personnel expenses	-397,219	-353,732	-352,077
Administrative expenses	-188,442	-170,629	-171,382
Depreciation of property, plant and equipment and amortization of intangible assets	-93,693	-86,620	-84,662
Operating expenses	**-679,354**	**-610,981**	**-608,121**
Operating margin	**419,487**	**388,863**	**305,508**
Impairment on goodwill	-	-	-
Net provisioning for risks and charges	-4,835	-4,783	-3,664
Net impairment losses on loans	-145,292	-126,687	-224,549
Impairment of securities	116	6	-628
Profit (loss) on other investments	608	171	66,135
Profit (loss) on continuing operations before taxes	**270,084**	**257,570**	**142,802**
Taxes on income from continuing operations	-43,070	-39,685	-41,444
Profit (Loss) after tax from discontinued operations	-	-	-
Profit for the period	**227,015**	**217,886**	**101,358**
Profit (loss) for the period attributable to minority interests	-6,877	-6,877	-4,534
Net profit (loss) for the period attributable to the Parent Company before badwill	**220,138**	**211,009**	**96,824**
Creval consolidation difference after provisional PPA	377,632	-	-
Alignment of coverage of performing loans	-25,000	-	-
Expenses for Creval acquisition/integration net of tax effect	-10,764	-10,764	-
Profit for the period attributable to the Parent Company	**562,006**	**200,245**	**96,824**

Reconciliation between the Official and Reclassified Income Statements

	30.06.2021	30.06.2021 net of Creval	30.06.2020
Net interest income	**523,695**	**468,199**	**479,838**
30. Net interest income	520,928	465,432	478,746
40. Fee and commission income: of which Deposit Fees and Commissions	2,064	2,064	-
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	(4)	(4)	(8)
230. Calit IAS gain	707	707	1,100
Net fee and commission income	**522,691**	**483,086**	**411,413**
60. Net fee and commission income	522,847	483,279	410,420
To deduct: Deposit fees and commissions	(2,064)	(2,064)	-
200. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	439	402	993
To deduct Fee and commission expense: of which expenses for Creval integration	1,469	1,469	
Dividends and similar income = item 70	**10,608**	**10,600**	**10,378**
Profit (loss) on financial activities	**42,186**	**40,284**	**1,175**
80. Net profit (loss) on trading activities	16,746	16,687	5,243
90. Net profit (loss) on hedging activities	(3,916)	(3,897)	(4,690)
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	4	4	8
100. Profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	2,069	279	1
100. Profit (loss) on disposal or repurchase of:: b) financial assets measured at fair value through other comprehensive income	29,172	29,169	590
To deduct: release of provision for impairment of securities measured at fair value through other comprehensive income	(2,039)	(2,039)	-
100. Profit (loss) on disposal or repurchase of: c) financial liabilities	23	23	51
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	143	52	(28)
To deduct: b) other financial assets mandatorily measured at fair value of which measurement of units in collective investment undertakings resulting from loan disposal	(16)	6	-
Other operating income (expenses)	**(339)**	**(2,325)**	**10,825**
200. Other operating expenses/income	541,906	155,866	135,874
250. Gains (Losses) on equity investments of which Price Adjustment for disposal of equity investments	-	-	9,761
To deduct: expenses recovered	(161,398)	(155,217)	(130,327)
To deduct: recovered expenses for the management of non-performing loans	(2,069)	(1,865)	(2,390)
To deduct: Commission income from Fast Loan Application Processing	(439)	(402)	(993)
To deduct: Calit IAS profit	(707)	(707)	(1,100)
To deduct: Creval consolidation difference after provisional PPA	(377,632)	-	-
Net operating revenues	**1,098,841**	**999,844**	**913,629**
Personnel expenses = item 190 a)	**(397,219)**	**(353,732)**	**(352,077)**
Administrative expenses	**(188,442)**	**(170,629)**	**(171,382)**
190. Administrative expenses: b) other administrative expenses	(370,989)	(346,006)	(307,888)
230. Other operating expenses/income: of which expenses recovered	161,398	155,217	130,327
190. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	6,534	5,545	6,179
To deduct Administrative expenses: b) other administrative expenses: of which expenses for Creval integration	14,615	14,615	-
Depreciation of property, plant and equipment and amortization of intangible assets	**(93,693)**	**(86,620)**	**(84,662)**
210. Net impairment losses/recoveries on property, plant and equipment	(45,772)	(40,157)	(40,029)
220. Net impairment losses//recoveries on intangible assets	(47,921)	(46,463)	(44,633)
Operating expenses	(679,354)	(610,981)	(608,121)
Operating margin	419,487	388,863	305,508
Impairment on goodwill = item 270	-	-	-

	30.06.2021	30.06.2021 net of Creval	30.06.2020
Net provisioning for risks and charges = Item 200 b) other net provisioning	(4,835)	(4,783)	(3,664)
Net impairment losses on loans	(145,292)	(126,687)	(224,549)
100. Profit (loss) on disposal or repurchase of: a) financial assets measured at amortized cost	3,130	1,154	900
To deduct profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	(2,069)	(279)	(1)
To deduct: release of provision for impairment of securities measured at amortized cost	(169)	(169)	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss of: b) of other financial assets mandatorily measured at fair value: of which measurement of units in collective investment undertakings resulting from disposal of loans	16	(6)	-
130. Net impairment for credit risk of: a) financial assets measured at amortized cost	(164,784)	(122,292)	(220,553)
To deduct: net impairment for credit risk of: a) securities classified as financial assets measured at amortized cost	(215)	(141)	(210)
To deduct: alignment of coverage of performing loans	25,000	-	-
140. Profits/Losses on contract modifications without derecognition	(878)	(633)	(589)
190. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	(6,534)	(5,545)	(6,179)
To deduct: recovered expenses for the management of non-performing loans	2,069	1,865	2,390
200. Net provisioning for risks and charges: a) commitments and guarantees given	(858)	(641)	(307)
Impairment losses on securities	116	6	(628)
130. Net impairment losses for credit risk of: a) securities classified as financial assets measured at amortized cost	215	141	210
130. Net impairment losses for credit risk of:: b) financial assets measured at fair value through other comprehensive income	(2,307)	(2,343)	(838)
To deduct: release of provision for impairment of securities measured at fair value through other comprehensive income	2,039	2,039	-
To deduct: release of provision for impairment of securities measured at amortized cost	169	169	-
Profit (loss) on other investments	608	171	66,135
250. Profit (losses) on equity investments	399	-	9,761
to deduct Profits (Losses) on equity investments: of which Price Adjustment on disposal of equity investments	-	-	(9,761)
260. Net profit (losses) from property, plant and equipment and intangible assets measured at fair value	(9)	-	-
280. Profit (losses) on disposals of investments	218	171	66,135
Profit (loss) on continuing operations before taxes	270,084	257,570	142,802
Taxes on income from continuing operations = item 300	(43,070)	(39,685)	(41,444)
300. Taxes on income from continuing operations	(37,749)	(34,364)	-
To deduct: taxes on expenses for Creval integration	(5,321)	(5,321)	-
Net profit for the period	227,015	217,886	101,358
Profit for the period attributable to minority interest	(6,877)	(6,877)	(4,534)
Profit for the period attributable to the Parent Company	220,138	211,009	96,824
200. Other operating expenses/income – Creval consolidation difference after provisional PPA	377,632	-	-
130. Alignment of coverage of performing loans	(25,000)	-	-
50. Fee and commission expense: of which expenses for Creval acquisition	(1,469)	(1,469)	-
190. Administrative expenses: b) other administrative expenses: of which expenses for Creval acquisition/integration	(14,615)	(14,615)	-
300. Taxes on income for the period from continuing operations: taxes on expenses for Creval acquisition/integration	5,321	5,321	-
Profit for the period attributable to the Parent Company	**562,006**	**200,245**	**96,824**

Net interest income

Items	30.06.2021	30.06.2021 net of Creval	30.06.2020	Changes	
				Absolute	%
Business with customers	410,242	363,267	396,412	-33,146	-8.4
Business with banks	38,630	32,338	312	32,026	ns
Debt securities issued	(53,850)	-49,246	(47,111)	2,135	4.5
Spreads on hedging derivatives	32,450	34,829	94,972	-60,143	-63.3
Financial assets held for trading	6	6	3	3	ns
Assets measured at fair value	22	-	-	-	ns
Securities measured at amortized cost	77,816	68,837	29,930	38,907	ns
Securities through other comprehensive income	20,399	19,405	7,140	12,265	ns
Other net interest income	(2,020)	(1,237)	(1,821)	-584	-32.1
Net interest income	**523,695**	**468,199**	**479,838**	**-11,639**	**-2.4**

Net fee and commission income

Items	30.06.2021	30.06.2021 net of Creval	30.06.2020	Changes	
				Absolute	%
- guarantees given	2,849	2,076	3,185	-1,109	-34.8
- collection and payment services	30,689	25,942	25,211	731	2.9
- current accounts	110,492	101,728	103,698	-1,970	-1.9
- debit and credit card services	17,638	14,100	12,379	1,721	13.9
Commercial banking business	**161,668**	**143,846**	**144,473**	**-627**	**-0.4**
- securities intermediation and placement	139,395	132,774	98,318	34,456	35.0
- intermediation in foreign currencies	2,683	2,201	1,891	310	16.4
- asset management	4,507	3,173	3,376	-203	-6.0
- distribution of insurance products	160,801	156,885	127,134	29,751	23.4
- other intermediation/management fee and commission income	19,126	17,825	14,121	3,704	26.2
Management, intermediation and advisory services	**326,512**	**312,858**	**244,840**	**68,018**	**27.8**
Tax collection services	-	-	-	-	
Other net fee and commission income	**34,511**	**26,382**	**22,100**	**4,282**	**19.4**
Total net fee and commission income	**522,691**	**483,086**	**411,413**	**71,673**	**17.4**

Profit (loss) on financial activities

Items	30.06.2021	30.06.2021 net of Creval	30.06.2020	Changes	
				Absolute	%
Activities on interest rates	12,629	12,629	1,345	11,284	ns
Stocks	30	-1	13	-14	ns
Foreign exchange	4,108	4,080	3,934	146	3.7
Commodities	-	-	1	-1	ns
Total profit (losses) on financial assets held for trading	**16,767**	**16,708**	**5,293**	**11,415**	**ns**
Total profit (losses) on assets held for hedging	-3,911	-3,892	-4,681	-789	-16.9
Net profit (loss) on financial assets and liabilities measured at fair value	127	58	-28	86	ns
Total profit (losses) on securities measured at amortized cost	2,069	279	1	278	ns
Total profit (losses) on securities through other comprehensive income	27,134	27,131	590	26,541	ns
Profit (loss) on financial activities	**42,186**	**40,284**	**1,175**	**39,109**	**ns**

Operating expenses

Items	30.06.2021	30.06.2021 net of Creval	30.06.2020	Changes	
				Absolute	%
- wages and salaries	(282,610)	(255,111)	(252,423)	2,688	1.1
- social security contributions	(76,902)	(68,448)	(67,430)	1,018	1.5
- other personnel expenses	(37,707)	(30,173)	(32,224)	(2,052)	-6.4
Personnel expenses	**-397,219**	**-353,732**	**-352,077**	**1,655**	**0.5**
- general operating expenses	(60,967)	(56,107)	(61,340)	(5,233)	-8.5
- IT services	(53,196)	(47,722)	(43,318)	4,404	10.2
- direct and indirect taxes	(66,437)	(59,625)	(59,493)	133	0.2
- real estate property management	(6,976)	(6,375)	(7,033)	(657)	-9.3
- legal and other professional services	(10,307)	(8,669)	(8,281)	388	4.7
- advertising and promotion expenses	(6,221)	(6,116)	(6,322)	(206)	-3.3
- indirect personnel expenses	(2,270)	(2,165)	(1,552)	613	39.5
- contributions to support the banking system	(32,920)	(29,822)	(25,283)	4,539	18.0
- other expenses	(110,546)	(109,245)	(89,085)	20,160	22.6
- expenses and charges recovered	161,397	155,216	130,324	24,892	19.1
Administrative expenses	**-188,442**	**-170,629**	**-171,382**	**-753**	**-0.4**
- intangible assets	(47,921)	(46,463)	(44,632)	1,831	4.1
- property, plant and equipment	(45,772)	(40,157)	(40,029)	128	0.3
Depreciation and amortization	**-93,693**	**-86,620**	**-84,662**	**1,958**	**2.3**
Operating expenses	**-679,354**	**-610,981**	**-608,121**	**2,860**	**0.5**

Net impairment losses on loans

	30.06.2021	30.06.2021 net of Creval	30.06.2020	Changes	
				Absolute	%
- bad loans	-63,894	-55,032	(62,451)	(7,419)	-11.9
- Unlikely to Pay	-62,245	-54,041	(100,542)	(46,501)	-46.3
- Past-due loans	-1,405	-1,968	(2,491)	(523)	-21.0
Non-performing loans	**-127,543**	**-111,040**	**-165,484**	**-54,444**	**-32.9**
- Performing loans – stage 2	2,424	2,624	-47,161	49,785	
- Performing loans – stage 1	-13,988	-13,311	-7,219	6,092	84.4
Performing loans	**-11,564**	**-10,687**	**-54,380**	**-43,693**	**-80.3**
Net losses on impairment of loans	**-139,107**	**-121,727**	**-219,864**	**-98,137**	**-44.6**
Profits/Losses on contract modifications without derecognition	-878	-633	(589)	44	7.5
Impairment of securities	16	-6	-	-	ns
Expenses/recovered expenses for loan management	-4,465	-3,680	(3,789)	(109)	-2.9
Net losses on impairments of guarantees and commitments	-858	-641	(307)	334	ns
Net impairment losses on loans	**-145,292**	**-126,687**	**-224,549**	**-97,862**	**-43.6**

FAIR VALUE REPORTING

CLASSIFICATION OF FINANCIAL INSTRUMENTS AND OF NON-FINANCIAL ASSETS/ LIABILITIES

Reporting on the fair value hierarchy as required by IFRS 13 applies to financial instruments and to non-financial assets/liabilities that are measured at fair value (irrespectively of whether they are so measured on a recurring or non-recurring basis).

The standard classifies fair value into three different levels based on the observability of the inputs used for its measurement:

- Level 1: Fair value equal to quoted prices (with no adjustments) in active markets. Level 1 includes financial instruments that are quoted on active markets.
  Specifically, these financial instruments are stocks and bonds quoted in active markets, investment schemes quoted in active markets (EFT) and derivatives traded in regulated markets.
  Markets are considered active if the quotations are easily and regularly available on the stock exchange, from brokers, intermediaries, price quotation services or regulatory agencies and these prices represent actual transactions that are regularly carried out in the market on an arm's length basis.
- Level 2: Fair value determined using measurement models that are universally acknowledged and based on observable or indirectly observable market inputs (for example determining the interest rate curve based on interest rates that are directly observable on the market at a given reference date).
  Level 2 includes:
  - Stocks and bonds that are quoted on markets considered inactive or that are not quoted on an active market, but whose fair value is determined using a universally acknowledged measurement model based on observable or indirectly observable inputs;
  - Financial instruments whose fair value is determined with measurement models using observable market inputs.
- Level 3: Financial instruments whose fair value is determined using, to a significant extent, inputs that do not meet the set observability requirements.
  The fair value of some complex instruments that are not traded in active markets is determined with measurement techniques based on inputs that are not observable on the market.
  The above are mainly complex interest rate instruments, stock derivatives and structured loans, where the measured correlation or volatility inputs are not directly comparable to market inputs.

Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA)

In accordance with the IFRS 13 regulatory framework, derivatives shall be priced based on market factors, as well as on the possible effects of the risk of the counterparty's default, which comprises the risk associated to the counterparty's creditworthiness, by calculating the Credit Valuation Adjustment (CVA) and the Debit Valuation Adjustment (DVA).

CVA is the value adjustment of an OTC derivative contract entered into by the Bank with an external counterparty, which reflects the possible loss resulting from the worsening of the creditworthiness/default of the counterparty.

In a mirror-like way, the DVA expresses the CVA from the external counterparty's standpoint and consists in an adjustment of the derivative fair value based on the change in the creditworthiness of the Bank.

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

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

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

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

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

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

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

This model provides for the use of a forward-looking PD as a function of the type of counterparty, to which a CDS spread or a CDS proxy is assigned. For this purpose, external counterparties are classified into three categories:
- The first category includes the counterparties for which CDS input parameters are directly observable in the market;
- The second category includes counterparties for which there is no official quoted parameter, but to which a CDS proxy can be assigned, based on the observable market value that is given to counterparties with the same characteristics in terms of economic activity sector, rating and geographical area;
- The third category includes the counterparties to which a proxy cannot be assigned and for which, therefore, historical data are used.

On the other hand, the DVA calculation depends on the Bank's exposure, probability of default (PD) and Loss Given Default (LGD) and this measure expresses the potential earnings from the change in the market prices of the relevant derivative, due to the worsening of the creditworthiness/default of the Bank.

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

As at 30 June 2021, the CVA value for the Crédit Agricole Italia Banking Group, calculated in accordance with the method reported above, was Euro 7.17 million.

Similarly, as at 30 June 2021, the DVA value was Euro 0.58 million.

The difference between the CVA and DVA amounts as calculated (equal to Euro 6.59 million for the Group), net of the same component already recognized as at 31 December 2020 (equal to Euro 13.19 million), is a positive income component and, as such, has been recognized in the Income Statement.

FAIR VALUE 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 observable market inputs.

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

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

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

PROCESSES AND SENSITIVITY OF MEASUREMENT

The Finance Department of Crédit Agricole Italia S.p.A. is responsible for defining the fair value category of the financial instruments recognized. Choosing between the above methods is not an option, since they shall be applied in a hierarchical order: absolute priority is given to official prices that are available on active markets for assets and liabilities to be measured (Level 1) or for assets and liabilities that are measured using techniques based on parameters that are observable on the market (Level 2); lower priority is given to assets and liabilities whose fair value is determined based on measurement techniques referring to parameters that are unobservable on the market and, thus, more discretionary (Level 3).

IFRS 13 also requires that, for recurring fair value measurements classified as Level 3 of the fair value hierarchy, a narrative description be given of the sensitivity of the fair value measurement to changes in unobservable inputs, if a change in those inputs could result in a significantly higher or lower fair value measurement.

Indeed, unobservable inputs that can affect the measurement of financial instruments classified as Level 3 mainly consist in estimates and assumptions underlying the models used to measure investments in equity securities and OTC derivatives. For these investments no quantitative sensitivity analysis of the fair value based on the change in unobservable inputs was carried out, since either the fair value was obtained from third-party sources without any adjustments or resulted from a model whose inputs are specific for the entity being measured (for example the company equity values) and for which alternative values cannot be reasonably assumed.

Reference is made to the breakdown analysis of the composition of these cases, which is reported in the next section on quantitative disclosures.

FAIR VALUE REPORTING – FAIR VALUE HIERARCHY

For the assets and liabilities recognized, the Finance Department assesses whether transfers between fair value levels have occurred and reviews the fair value categorization at each reporting date.

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

FAIR VALUE REPORTING – TRANSFERS BETWEEN PORTFOLIOS

In H1 2021 no transfers between portfolios were made.

Other information

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

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS BREAKDOWN BY FAIR VALUE LEVEL

Assets/liabilities measured at fair value	30.06.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	150	76,071	214,122	94	94,497	60,327
a) financial assets held for trading;	150	76,071	187	94	94,497	640
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	213,935	-	-	59,687
2. Financial assets measured at fair value through other comprehensive income	4,246,889	228,585	64,357	3,080,950	202,000	24,095
3. Hedging derivatives	-	705,913	6	-	1,026,601	1
4. Property, Plant and Equipment	-	-	24,789	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**4,247,039**	**1,010,569**	**303,274**	**3,081,044**	**1,323,098**	**84,423**
1. Financial liabilities held for trading	-	82,075	180	-	107,469	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	308,303	637,021		176,134	610,497
Total	**-**	**390,378**	**637,201**	**-**	**283,603**	**610,497**

ANNUAL CHANGES IN ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS (LEVEL 3)

	Financial assets measured at fair value through profit or loss				FVOCI	Hedging derivatives	Property, plant and equipment	Intangible Assets
	Total	Of which a) financial assets held for trading	Of which b) financial assets designated at fair value	Of which c) other financial assets mandatorily measured at fair value				
1. Opening balance	60,327	640		59,687	24,095	1	-	-
2. Increases	2,358	125	-	156,976	41,369	5	-	-
2.1 Purchases	777	11	-	767	31	-	-	-
2.2 Profits recognized in:	1,579	112	-	1,393	274	5	-	-
2.2.1 Income Statement	1,579	110	-	1,393	-	5	-	-
- of which: capital gains	1,080	107	-	900	-	5	-	-
2.2.2 Equity	-	X	X	-	274	-	-	-
2.3 Transfers from other levels	1	1	-	-	-	-	-	-
2.4 Other increases	1	1	-	154,816	41,064	-	-	-
3. Decreases	3,306	578	-	2,728	1,107	-	-	-
3.1 Sales	1,392	6	-	1,386	434	-	-	-
3.2 Repayments	566	566	-	-	-	-	-	-
3.3 Losses recognized in:	1,342	-	-	1,342	673	-	-	-
3.3.1 Income Statement	1,342	-	-	1,342	-	-	-	-
- of which: capital losses	1,342		-	1,342	-	-	-	-
3.3.2 Equity	-	X	X	-	673	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	6	6	-	-	-	-	-	-
4. Closing Balance	59,379	187	-	213,935	64,357	6	-	-

Row “2.4 Other increases” reports also the increases resulting from Creval acquisition

ANNUAL CHANGES IN LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS (LEVEL 3)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balance	-	-	**610,497**
2. Increases	**180**	-	**67,833**
2.1 Issues	11	-	-
2.2 Losses recognized in:	169	-	67,833
2.2.1 Income Statement	169	-	67,833
- of which: capital losses	169	-	67,833
2.2.2 Equity	X	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	-	-	**41,309**
3.1 Repayments	-	-	41,309
3.2 Repurchases	-	-	-
3.3 Profits recognized in:	-	-	-
3.3.1 Income Statement	-	-	-
- of which: capital gains	-	-	-
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing Balance	**180**	**-**	**637,021**

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS BREAKDOWN BY FAIR VALUE LEVEL

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30.06.2021				31.12.2020			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets measured at amortized cost	91,213,600	11,642,707	9,620,870	71,738,729	67,097,918	7,965,581	8,790,942	51,939,133
2. Investment property	222,402	-	-	249,611	127,515	-	-	139,088
3. Non-current assets held for sale and discontinued operations	13,645	-	-	13,645	5,207	-	-	5,207
Total	**91,449,647**	**11,642,707**	**9,620,870**	**72,001,985**	**67,230,640**	**7,965,581**	**8,790,942**	**52,083,428**
1. Financial liabilities measured at amortized cost	90,882,245	161,408	75,030,005	15,764,417	66,572,727	-	65,955,399	665,711
2. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**90,882,245**	**161,408**	**75,030,005**	**15,764,417**	**66,572,727**	**-**	**65,955,399**	**665,711**

Key:
BV= Book value
L1= Level 1
L2= Level 2
L3= Level 3

OPERATIONS AND PROFITABILITY BY BUSINESS SEGMENT

In compliance with IFRS 8 Operating Segments, the figures on operations and profitability by business segment are given using the "management reporting approach".

In compliance with the Bank of Italy provisions, segment reporting was prepared, in line with the Group management reporting, using the multiple ITR (internal transfer rate) method, integrating also the cost of liquidity.

The Crédit Agricole Italia Banking Group operates through an organizational structure that includes: **Retail, Private Banking and Financial Advisors** (F.A.) channels designed to provide services to individuals, households and small businesses, and the **Corporate Banking** channel designed to provide services to larger-size companies. Therefore, given the features of the Group, the Other channel is of a residual nature and includes the activities pertaining to central departments, with specific reference to governance.

The data are presented in compliance with the reclassified layouts contained in the management report on operations and compared with 2020, whereas balance sheet data are presented consistently with the statutory layouts.

The income contributions and financial balances of the CREVAL Group – which, as pointed out, have been consolidated in these financial statements – have been temporarily represented as a separate business unit and will be recognized under the various items later on, as the integration of processes goes on.

In the presentation of the income statement data of the Crédit Agricole Italia Group, non-recurring effects of Creval acquisition have been separately stated.

Net of the Creval Group contribution, the Crédit Agricole Italia figures for the same perimeter as last year are given below.

The **"Retail, Private Banking and F.A,"** channels generated Operating income of Euro 792 million (+7.2%): Net interest income (-3.9%), higher income from trading of financial assets (+126.2%) and Net fee and commission income increasing (+18.4%); Operating costs were stable (+0.5%), with average Operating income coming to Euro 317 million (+19.2%). Net of the Cost of risk, which came to Euro 69 million (-51.5%) and after taxes, the Net profit came to Euro 174 million (+98.0%).

The **"Corporate Banking"** channel generated Operating income of Euro 165 million (+6.4%): Net interest income (+2.9%), higher income from trading of financial assets (+19.6%) and Net fee and commission income increasing (+11.9%); Operating costs slightly increasing (+1.4%), with average Operating income coming to Euro 127 million (+8.0%). Net of the *Cost of risk*, which came to Euro 62 million (-27.4%) and after taxes, the *Net profit* came to Euro 45 million (+105.3%).

Assets by segment (point-in-time volumes) consisted of Net loans to Customers; as at 30 June 2021, the assets of the Retail Banking, Private Banking and F.A. channels came to Euro 30,684 million (+1.1%) and accounted for 60% of the Group aggregate; the assets of the Corporate Banking channel came to Euro 20,387 million (+2.6%) and accounted for the remaining 40%.

Liabilities by segment (point-in-time volumes) consisted of Direct funding from Customers; within this aggregate, funding of the Retail, Private Banking and F.A. channel came to Euro 35,118 million (+0.5%), accounting for 79% of the Group total; the Corporate Banking channel posted a balance of Euro 8,509 million (-11.0%), accounting for 19% of the Total figure; other funding channels 2%.

It is pointed out that unallocated assets and liabilities report the set of inter-bank transactions, the Covered Bonds issued and other balance sheet aggregates, such as: unallocated property, plant and equipment/ intangible assets, tax assets/liabilities and specific-purpose provisions.

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

SECTOR REPORT AT 30 JUNE 2021

	Retail and Private Banking	Corporate Banking	Other	30.06.2021 net of Creval	Creval	Total with Creval
External operating income:						
Net interest income	364,990	102,083	1,126	468,199	55,496	523,695
Net fee and commission income	426,624	53,578	2,884	483,086	39,605	522,691
Net profit (loss) on trading activities	2,839	9,032	28,413	40,284	1,902	42,186
Dividend income	-	-	10,600	10,600	8	10,608
Other net operating income	(2,586)	433	(172)	(2,325)	1,986	(339)
Total operating income	**791,867**	**165,126**	**42,851**	**999,844**	**98,997**	**1,098,841**
Personnel and administrative expenses and depreciation and amortization	(474,630)	(38,062)	(98,289)	(610,981)	(68,373)	(679,354)
Operating Profit (Loss)	**317,237**	**127,064**	**(55,438)**	**388,863**	**30,624**	**419,487**
Losses on impairment of other financial assets	(66,235)	(60,451)	6	(126,680)	(18,496)	(145,176)
Provisioning for risks	(2,571)	(2,213)	-	(4,784)	(51)	(4,835)
Total Cost of Risk	**(68,806)**	**(62,664)**	**6**	**(131,464)**	**(18,547)**	**(150,011)**
Profit (losses) on equity investments – Profit on disposal of investments	-	-	171	171	437	608
Profit/loss before taxes	**248,431**	**64,400**	**(55,261)**	**257,570**	**12,514**	**270,084**
Taxes	(74,918)	(19,698)	54,932	(39,684)	(3,385)	(43,069)
Profit for the period (before Creval acquisition effects)	173,513	44,702	(329)	217,886	9,129	227,015
Non-recurring effects generated by Creval acquisition	-	-	-	(10,764)	-	341,868
Creval consolidation difference (PPA first estimate)	-	-	-	-	-	377,632
Adjustment of coverage of performing loans	-	-	-	-	-	(25,000)
Expenses for Creval integration net of tax effect	-	-	-	(10,764)	-	(10,764)
Profit for the period	-	-	-	**207,122**	-	**568,883**
Assets and Liabilities						
Assets by segment (customer)	30,684,151	20,386,896	21,527	51,092,574	15,225,832	66,318,406
Equity investments in associates	-	-	882,840	882,840	22,084	42,635
Unallocated assets	-	-	26,641,805	26,641,805	10,622,952	36,817,856
Total Assets	**30,684,151**	**20,386,896**	**27,546,172**	**78,617,219**	**25,870,868**	**103,178,896**
Liabilities by segment	35,118,848	8,509,480	811,689	44,440,017	18,006,426	62,446,443
Unallocated liabilities	-	-	27,299,522	27,299,522	6,067,225	33,491,747
Total Liabilities	**35,118,848**	**8,509,480**	**28,111,211**	**71,739,539**	**24,073,651**	**95,938,190**

(*) amounts including Creval consolidation entries

SECTOR REPORT AT 30 JUNE 2020

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	379,758	99,205	875	479,838
Net fee and commission income	360,434	47,867	3,112	411,413
Net profit (loss) on trading activities	1,255	7,552	(7,632)	1,175
Dividend income	-	-	10,378	10,378
Other net operating income	(3,069)	579	13,315	10,825
Total operating income	**738,378**	**155,203**	**20,048**	**913,629**
Personnel and administrative expenses and depreciation and amortization	(472,300)	(37,540)	(98,281)	(608,121)
Operating Profit (Loss)	**266,078**	**117,663**	**(78,233)**	**305,508**
Losses on impairment of other financial assets	(139,533)	(85,015)	(629)	(225,177)
Provisioning for risks	(2,324)	(1,341)	1	(3,664)
Total Cost of Risk	**(141,857)**	**(86,356)**	**(628)**	**(228,841)**
Profit (losses) on equity investments – Profit on disposal of investments	-	-	66,135	66,135
Profit/loss before taxes	**124,221**	**31,307**	**(12,726)**	**142,802**
Taxes	(36,609)	(9,535)	4,700	(41,444)
Profit for the period	**87,612**	**21,772**	**(8,026)**	**101,358**
Assets and Liabilities				
Assets by segment (customer)	29,325,754	19,496,813	16,291	48,838,857
Equity investments in associates	-	-	20,483	20,483
Unallocated assets	-	-	24,364,893	24,364,894
Total Assets	**29,325,754**	**19,496,813**	**24,401,667**	**73,224,234**
Liabilities by segment	33,916,112	8,100,643	715,020	42,731,775
Unallocated liabilities	-	-	23,857,853	23,857,853
Total Liabilities	**33,916,112**	**8,100,643**	**24,572,873**	**66,589,628**

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 2021, to complete the reporting given in Part E of the Annual Report as at 31 December 2020.

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 Italia is the operating Parent Company in Italy and is engaged in overall risk guidance and control, acting both as coordinator and as a commercial bank with its own distribution network.

In designing the risk management system, Crédit Agricole Italia S.p.A. complies with both the Italian legislation (with specific reference to Bank of Italy's Circular No. 285/2013, as updated and to Delegated Regulation 2017/565), as well as with guidelines issued by the Parent Company Crédit Agricole SA, which the general model of the Crédit Agricole Italia Banking Group is consistent with.

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

As regards Creval, the risk management structures of the Parent Company and of the subsidiary are currently sharing risk measurement: approaches and tools and control processes, in order to complete integration as soon as possible and to detect any possible synergies; the presence of dedicated local structures ensures the reliability of processes and sound and prudent management of risks of the subsidiary during the integration phase.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP) REPORT

Besides preparing the ICAAP report for the European Central Bank (ECB), the Crédit Agricole Italia Banking Group is required, pursuant to Bank of Italy's Circular no. 285 (Part 1, Title III, Chapter 1, Section 1, Paragraph 1), to prepare an ICAAP Report for the national Supervisory Authority.

As at 31 December 2020 the quantitative analyses that generated, for the Crédit Agricole Italia Banking Group, capital absorptions concerned, in addition to Pillar 1 risks, also concentration risk, interest rate risk on the Banking Book (including the base/refixing component), business risk, the risk of change in the value of the Securities Portfolio, liquidity price risk and, in compliance with the guidelines given by the Parent Company Crédit Agricole S.A., sovereign risk and foreign exchange risk (Pillar 2 risks). The analyses have given evidence that the Crédit Agricole Italia Banking Group's total capital is adequate to meet all risks to which the Group is exposed in accordance with its operations and target markets.

Conversely, qualitative assessments, control or mitigation measures based on processes were used for the following risks: liquidity – for the part not referring to liquidity price risk -, residual risk, excessive leverage risk, noncompliance and legal risk, risks on contingency – business continuity – plans, risks on security of information systems, reputational risk and outsourcing risk. Transfer risk, Country risk and the new risks to be assessed within the ICAAP, as introduced by the 32nd update of Bank of Italy Circular 285 of April 2020: conduct risk, money-laundering and terrorist financing risk and Information and Communication Technology (ICT) risk were also taken into account.

At the end of April 2021, the Crédit Agricole Italia Banking Group sent the following:

- As regards the ICAAP for the ECB, a set of documents 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 Group capital adequacy, as well as internal reports on ICAAP intended to provide an overview of the Group's ICAAP framework. Along with the ICAAP Report, at the end of April 2021, the Group sent its ILAAP (Internal Liquidity Adequacy Assessment Process) documentation to the EU Regulator.
- 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 2020 to the Bank of Italy. Unlike the set of documents sent to the ECB, the Report sent to the Bank of Italy comprises ICAAP quantitative figures and qualitative measurements referring also to ILAAP in a single document.

The Internal Capital Adequacy Assessment Process (ICAAP), along with the Internal Liquidity Adequacy Assessment Process (ILAAP), is the first phase in the supervisory review process. 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 ILAAP 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 2021, the Crédit Agricole Italia Banking 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 CONTROL SYSTEM

The internal control 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 Group's internal control system includes all its structures, both central and of the Distribution Network, Information Technology departments, Outsourced Important Operational Functions (Italian acronym FOIE) and the related 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, which receives the evidence resulting from the activities of the 3 departments engaged in control functions (Internal Audit, Compliance and Risk Management).

CREDIT RISK

Consistently with the guidelines issued by the French Parent Company Crédit Agricole S.A., for adequate control on Credit Risk, the Crédit Agricole Italia Banking Group's internal lending processes have been designed to aim at:

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

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

The quality of the loan portfolio is constantly monitored, in terms of the portfolio as a whole, analyzing its composition in accordance with the risk measurement parameters used by the Group (internal rating system, early warning indicators, other performance-monitoring indicators), as well as in terms of single positions, designing and applying the operational processes and procedures that regulate all steps in the management of the single lending accounts, in order to ensure preventive management of any default risks.

The organizational structure, procedures and tools supporting the processes for the management of exposures showing anomalies ensure prompt triggering of appropriate actions to restore them to a performing status or, should the circumstances require termination of the business relation, to collect the credit claim.

The mitigation of credit risk is pursued by entering into ancillary agreements or by adopting adequate tools and techniques designed to mitigate this risk. In this scope, special attention is paid to obtaining and managing guarantees, with the definition of general and specific requirements, with special regard to the rules and procedure to monitor that the requirements of the guarantees remain complied with (legal certainty, prompt realization and value consistency with the guaranteed exposure).

As done in the previous half-year, in H1 2021, lending focused on the priority of providing support to customers hit by the Covid-19 health emergency. Specifically, also applying the measures issued by the Italian Government (extensions of the “Cura Italia” Decree, Liquidity Decree), as well as the agreements within the Italian banking system (the protocols signed by and between ABI and associations of enterprises and consumers), the Crédit Agricole Italia Banking Group has deployed a tangible program to provide support to households and businesses, which comprises loans backed by State guarantees (Central Guarantee Fund, ISMEA, Italian state body providing services to the agri-food market, and SACE), and measures for suspending repayment of outstanding loans.

At the same time, work has continued to implement several actions to ensure full compliance with the new developments in the applicable regulations, as well as with the guidelines set by the Business Plan. Among the main actions, the following are worth specific mentioning:

- The setting up of a new credit governance structure, with the addition of the Chief Lending Officer role as the top organizational officer whom all structures in charge of loans (performing and non-performing) report to;
- The go-live of actions to change the organizational structure and the system of decision-making powers, aimed at further streamlining the levels of the bodies in charge of lending decisions and at higher specialization in assessing customer risk profiles, structuring the decision-making system consistently with the commercial segmentation of customers;
- The completion of the activities to implement the new work flow for the governance and direction of lending processes (New Loan Application), from which an improvement in service quality is expected, with a positive impact in terms of Customer Satisfaction, as well as the optimization of decision-making procedures and, therefore, enhancement of the process efficiency;
- The continuing implementation of lending policies pursuing full compliance with EBA/ GL/2020/06 “Guidelines on loan origination and monitoring”, by defining KRIs that are consistent with the Group’s risk appetite;
- The start of the sustainability project, which, among others, provides for specific mapping of ESG risks on the loan portfolio and for the integration of ESG metrics in lending processes;
- The continuing implementation of the new management workflow for current accounts and payment instruments, with the ultimate objective of curbing any increase in small-amount overdrafts; the related go-live is expected through progressive releases in 2021.

The non-performing loan portfolio continues to be managed consistently with the Group’s risk mitigation objectives pursuing risk reduction, both by reducing the stock of non-performing exposures and by assessing the portfolio and the provisions covering it.

In H1 2021, because of the Covid-19 health emergency and the progressive fine-tuning of the State measures deployed to support the economy, strong focus on monitoring and management of the loan portfolio continued.

Furthermore, the portfolio of loans in default and subject to continuous analysis and monitoring, both in terms of scenario evolution and in terms of performance of the riskiest positions; this ensured that all protection actions could be taken and, where necessary, provisions were supplemented. Thanks to the above actions, the overall coverage ratio of non-performing loans of Crédit Agricole Italia increased to 53.2% (vs. 51.2% as at 31 December 2020) net of Creval contribution.

CREDIT QUALITY

ITEMS	GROSS EXPOSURES – WEIGHT ON TOTAL				Change	
	June 2021		December 2020		Absolute	%
- Bad loans	1,910,479	2.8%	1,486,652	2.9%	423,827	28.5%
- Unlikely to Pay	1,979,589	2.9%	1,522,816	2.9%	456,773	30.0%
- Past-due/overdraft loans	45,519	0.1%	36,652	0.1%	8,867	24.2%
Non-performing loans	**3,935,588**	**5.7%**	**3,046,120**	**5.8%**	**889,468**	**29.2%**
- Performing loans – stage 2	2,950,127	4.3%	3,129,755	6.0%	-179,628	-5.7%
- Performing loans – stage 1	61,841,761	90.0%	45,913,213	88.1%	15,928,548	34.7%
Performing loans	**64,791,888**	**94.3%**	**49,042,968**	**94.2%**	**15,748,920**	**32.1%**
Gross loans to Customers	**68,727,475**	**100.0%**	**52,089,088**	**100.0%**	**16,638,387**	**31.9%**

ITEMS	NET EXPOSURES – COVERAGE RATIO				Change	
	June 2021		December 2020		Absolute	%
- Bad loans	490,201	74.3%	469,841	68.4%	20,360	4.3%
- Unlikely to Pay	1,019,012	48.5%	982,708	35.5%	36,304	3.7%
- Past-due/overdraft loans	41,097	9.7%	33,597	8.3%	7,500	22.3%
Non-performing loans	**1,550,310**	**60.6%**	**1,486,146**	**51.2%**	**64,164**	**4.3%**
- Performing loans – stage 2	2,757,705	6.5%	2,930,522	6.4%	-172,817	-5.9%
- Performing loans – stage 1	61,637,490	0.3%	45,819,474	0.2%	15,818,016	34.5%
Performing loans	**64,395,196**	**0.6%**	**48,749,996**	**0.6%**	**15,645,200**	**32.1%**
Net loans to Customers	**65,945,506**	**4.0%**	**50,236,142**	**3.6%**	**15,709,364**	**31.3%**

The coverage rate of June 2021 was calculated by including provisional calculation of the PPA and Creval total adjustments.

LOAN QUALITY – DATA NET OF CREVAL

ITEMS	GROSS EXPOSURES – WEIGHT ON TOTAL				Change	
	June 2021		December 2020		Absolute	%
- Bad loans	1,541,033	2.9%	1,486,652	2.9%	54,381	3.7%
- Unlikely to Pay	1,419,092	2.7%	1,522,816	2.9%	-103,724	-6.8%
- Past-due/overdraft loans	16,377	0.0%	36,652	0.1%	-20,275	-55.3%
Non-performing loans	**2,976,503**	**5.6%**	**3,046,120**	**5.8%**	**-69,617**	**-2.3%**
- Performing loans – stage 2	2,950,127	5.6%	3,129,755	6.0%	-179,628	-5.7%
- Performing loans – stage 1	47,039,247	88.8%	45,913,213	88.1%	1,126,034	2.5%
Performing loans	**49,989,374**	**94.4%**	**49,042,968**	**94.2%**	**946,406**	**1.9%**
Gross loans to Customers	**52,965,876**	**100.0%**	**52,089,088**	**100.0%**	**876,788**	**1.7%**

ITEMS	NET EXPOSURES – COVERAGE RATIO				Change	
	June 2021		December 2020		Absolute	Coverage change in BPS.
- Bad loans	454,126	70.5%	469,841	68.4%	-15,715	2.1
- Unlikely to Pay	925,311	34.8%	982,708	35.5%	-57,397	-0.7
- Past-due/overdraft loans	14,777	9.8%	33,597	8.3%	-18,820	1.4
Non-performing loans	**1,394,214**	**53.2%**	**1,486,146**	**51.2%**	**-91,932**	**1.9**
- Performing loans – stage 2	2,757,705	6.5%	2,930,522	6.4%	-172,817	0.2
- Performing loans – stage 1	46,940,654	0.21%	45,819,474	0.20%	1,121,180	-
Performing loans	**49,698,360**	**0.6%**	**48,749,996**	**0.6%**	**948,364**	**-**
Net loans to Customers	**51,092,574**	**3.5%**	**50,236,142**	**3.6%**	**856,432**	**-**

As regards the overall loan quality of including Creval contribution, it is pointed out that, on the data as at 30 June 2021, Creval's entire stock of performing loans was reclassified in Stage 1, whereas, any reclassifications of the non-performing portfolio have been postponed to the end of the portfolio analysis underway and to the Due Diligence completion. Therefore, loan quality was impacted by the provisional PPA and will be reviewed during the final PPA.

The tables summarizing loan quality net of Creval contribution and of the provisional PPA show that the stock of non-performing loans as at 30 June 2021 amounted to Euro 3 billion, decreasing vs. 31 December 2020 thanks to the close monitoring of the portfolio and to the decrease in the positions entering the default status.

In H1 2021, the weight of non-performing exposures on total loans to customers came to 5.6% improving vs. the 5.8% figure as at 31 December 2020. In net terms, the NPE came to 2.73% vs. 2.96% as at 31 December 2020.

In H1 2021 the coverage ratio on non-performing loans increased coming to 53.2% as at 30 June 2021, from 51.2% as at 31 December 2020; specifically, the coverage ratio of bad loans increased from 68.4% in December 2020 to 70.5% as at 30 June 2021.

MARKET RISK

TRADING BOOK

The Crédit Agricole Italia Banking Group does not engage in significant proprietary trading on financial and capital markets and, furthermore, in its capacity as sub-consolidating entity of the Crédit Agricole Group, Crédit Agricole Italia is subject to the Volcker Rule and to the "Loi francaise de séparation et de régulation des activitès bancaires" (LBF), which prohibit any banking entity from engaging in proprietary speculative trading.

Therefore, trading activities are instrumental to meeting customers' requirements. The market risk control system implemented by Crédit Agricole Italia for all the entities of the Group ensures that a risk level consistent with the set objectives is constantly kept.

The Group's entities calculate their First Pillar capital needs for Market Risk using standardized approaches, given the low materiality of the exposures to this risk.

BANKING BOOK

Asset & Liability Management activities concern all the exposures on the banking book. The impacts generated by changes in the forward yield curve on net interest income and on the economic value of capital are monitored and mitigated with specific hedging transactions using derivatives with interest rates as the underlying, also through appropriate modeling of financial statement items and behavioural trends (behavioural models).

In its capacity as the Parent Company, Crédit Agricole Italia S.p.A. coordinates the interest rate risk and price risk profiles of the Group's banking book, centrally managing financial operations, as well as risk assessment and control activities.

The Governance model vests:
- The ALM Committee with the task of setting the strategic and direction lines for the management, of validating proper application of the standards and methods for measuring the exposure to interest rate risk, of examining the reporting produced by the Finance Department, as well as to resolve on any measures to be implemented;
- The Risk and Internal Control Committee with the task of examining the outcomes of controls on compliance with the RAF and Risk Strategy limits and alert thresholds, as well as any alert procedures that started.

In compliance with the normative instruments of the Group and with the supervisory regulations, the system of limits regarding interest rate risk is reviewed on a yearly basis within the Risk Appetite Framework (RAF) process, setting out operational limits in the Risk Strategy of the Crédit Agricole Italia Banking Group, which is submitted to the Group Risk Committee of the Crédit Agricole Group and is approved by the Boards of Directors of all the banks of the Group.

The limit system consists of global limits, operational limits and alert thresholds (that are then adapted to each single entity of the Group).

As regards limits on interest rate risk, the Risk Strategy has confirmed:
- A global limit in terms of Net Present Value (NPV);
- A gap global limit subdivided into different time ranges;
- A global limit in Van Index terms.

As regards price risk for the Banking Book, global limits have been set, based on the type of instruments that may be held (Government securities), which are expressed with reference to commonly used metrics (fair value, nominal value), and global limits and alert thresholds have been identified on the Banking Book fair value.

FAIR VALUE HEDGING

Hedging interest rate risk has the objective of immunizing the Banking Book from changes in the fair value of funding and lending, caused by adverse movements in the yield curve.

The main financial instruments for the management of interest risk hedges are Interest Rate Options and Interest Rate Swaps, which, for their very nature, are contracts referring to "pure" interest rate risk. Specifically, fixed-rate debenture loans have been hedged (micro-hedging), as have the mortgage loans with optional components to Customers (macro-hedging), government securities (micro- hedging), current accounts (macro-hedging) and fixed-rate mortgage loans in the macro-hedging portfolio.

In compliance with the financial reporting standards, the effectiveness of the hedges is assessed by the Finance Department, which carries out the relevant tests on a monthly basis and keeps formal documentation for every hedging relationship.

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 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. There are also a limit to short-term refinancing with market counterparties (LCT – Limite Court Terme) and an indicator aimed at ensuring financial balance between stable resources and long-term uses, in order to properly steer medium and long-term refinancing (Stable Resources Position or PRS – Position Resources Stables).

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

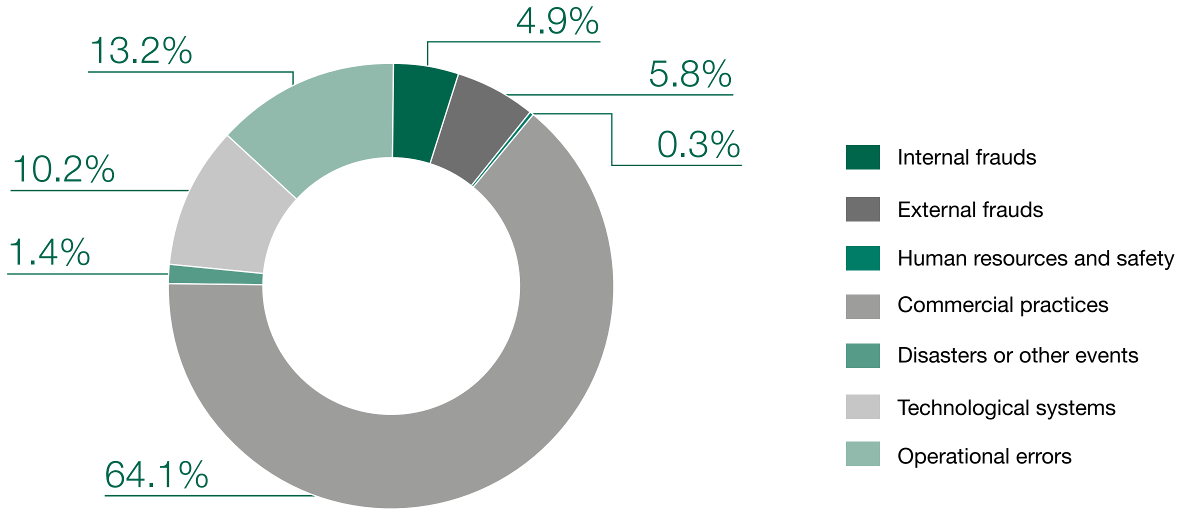
As at 30 June 2021, the Liquidity Coverage Ratio (LCR) of the Crédit Agricole Italia Banking Group was 261.98%, once again firmly above the set compliance requirements.

OPERATIONAL RISKS

BREAKDOWN OF LOSSES

Operational losses recognized in H1 2021 came to approximately Euro 8.9 million (net of Creval).

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



TRANSACTIONS WITH RELATED PARTIES

The closeness of some persons to a company’s decision-making centers may compromise the objectivity and impartiality of its decisions, with possible distortions in the allocation of resources, as well as expose the company to risks and damages to itself and to its stakeholders.

This is the matter addressed by CONSOB with its Regulations containing provisions relating to transactions with related parties (adopted by CONSOB with Resolution no. 17221 of 12 March 2010, laying down specific measures for Italian companies listed in Italian regulated markets or in regulated markets of other EU Member States and whose shares are publicly held to a considerable extent, in order to ensure transparency and substantial and procedural fairness of transactions with related parties carried out directly or through subsidiaries.

The regulation issued by the Bank of Italy on 12 December 2011, on risk assets and conflicts of interest with associated persons falls within the scope of the framework regulation concerning related parties (Article 2391-bis of the Italian Civil Code, Article 53 of the Italian Consolidated Law on Banking 53 of the Italian Consolidated Law on Banking (TUB) and CONSOB Regulation No. 17221/10) and has been designed to “control the risk that the closeness of some persons to the Bank’s decision-making centers may compromise the objectivity and impartiality of decisions relating to loan granting and other transactions with the same persons, with possible distortions in the allocation of resources, in the Bank’s exposure to risks not adequately measured or controlled, potential damages to depositors and shareholders”. This regulation came into force on 31 December 2012 and, consequently, the first supervisory reporting was made on 31 March 2013, as required by the Supervisory Authority.

The Crédit Agricole Italia Banking Group had already adopted a Regulation on transactions with related parties implementing the original CONSOB regulation of 2010; afterwards, on 11 December 2012, in accordance with the regulation issued by the Bank of Italy, Crédit Agricole Italia approved the Document “Regulation for Risk Assets and Conflicts of Interests with Parties associated to the Crédit Agricole Italia Banking Group”, in order to give the Group a specific internal normative instrument on this matter and to harmonize the various regulations in force; the Document was then updated on 29 July 2014.

On 25 July 2018, the Board of Directors of Crédit Agricole Italia approved the adoption of the new “Regulation on transactions with Associated Persons”, which was then adopted by the other Banks and Companies of the Crédit Agricole Italia Banking Group. Said Regulation was updated on 28 April 2021, with effective date on 1 July 2021, in compliance with Consob resolution no. 21624 of 10 December 2020 and with the amendments introduced with the 33rd update issued on 23 June 2020 of the “Supervisory Provisions for Banks – Risk assets and conflicts of interest with associated persons”,

The new Regulation on Transactions with Associated Persons lays down – in a single normative instrument – the procedures that the Banks and the Companies of the Crédit Agricole Italia Banking Group shall apply in case of any transactions with Associated Persons, in compliance with the regulations in force issued by CONSOB and by the Bank of Italy; this instrument provides for the most stringent and conservative obligations, procedures and definitions among those specifically set out by the aforementioned regulations. In addition to identifying the related parties and the associated persons of the Crédit Agricole Italia Banking Group, this document lays down prudential limits to risk assets with associated persons, sets the procedures to process and approve transactions with related parties, defines specific rules with regard to transactions with related parties made by the companies belonging to the Group and lays down procedures and timeframes for the provision of reporting and appropriate documentation on the transactions (i) to independent directors/Related Party Committee, as well as, where necessary, (ii) to the control bodies.

With regard to controls, the required activities are carried out by different corporate roles and structures, in different capacities and in the different phases of the process, in order to ensure constant compliance with the prudential limits and resolution-making procedures as provided for by the applicable legislation, also pursuing the objective to appropriately prevent and manage potential conflicts of interests that may result from transactions with associated parties.

RELATED PARTIES

Pursuant to its “Regulation on Transactions with Associated Persons”, related parties of the Crédit Agricole Italia Banking Group’s banks and supervised intermediaries are persons in the capacity as:

a. Corporate Officer;
b. Shareholder/investor;
c. The person or entity that, directly or indirectly, also through subsidiaries, trusts or third parties:
   1. Controls the bank or the supervised intermediary, is controlled by any of them or is under common control with any of them;
   2. Holds an equity investment in the bank or supervised intermediary allowing the exercise of significant influence;
   3. Exercises control on the bank or supervised intermediary jointly with other persons/entities;
d. The person, other than a shareholder/investor, that can appoint, on his/her/its own, one or more members of the Board of Directors, also based on any agreements in whatsoever form or clauses of the Articles of Association dealing with or providing for the exercise of the above rights and powers;
e. A company or an enterprise, also set up in a legal form other than that of a company, on which a bank or an entity of the Group can exercise control or significant influence;
f. An associated company of the bank or supervised intermediary;
g. A joint venture in which the bank or supervised intermediary is a joint venturer;
h. The Managers having strategic responsibilities of the bank and of the supervised intermediary or of the controlling companies;
i. Any supplementary pension fund, collective or individual, Italian or foreign, set up to the benefit of the employees of the bank, of the supervised intermediary or of any other entity that is a related party.

CONNECTED PERSONS

Persons connected to a related party are defined as follows:

1. Companies or enterprises, also set up in a legal form other than that of a company, which are controlled by a related party among those set forth at letters a), b), d) and e) of the definition of related party, as well as companies or enterprises, also set up in a legal form other than that of a company, on which one of the related parties as per letter a) of the definition (i.e. Corporate Officer) can exercise significant influence;
2. Persons exercising control on a related party among those listed at letters b) and d) of the relevant definition, as well as entities that are directly or indirectly subject to joint control with the same related party;
3. Close family members of one of the related parties set forth in letters a), b), c), d) and h) of the relevant definition and the companies or enterprises, also set in a legal form other than that of a company, that are controlled, subject to joint control or significant influence by such related party.

ASSOCIATED PERSONS

Associated persons of the Crédit Agricole Italia Banking Group are defined as the set consisting of a related party and of all the persons connected to the same. For application at individual level, the banks and supervised intermediaries belonging to the Group refer to the same perimeter of associated persons as determined by the Parent Company.

Information on transactions with related parties

Transactions with related parties consist in the transfer of resources, services or bonds between a Group company (or companies directly and/or indirectly controlled by it) and one or more related parties, independently of the whether payment was agreed or not.

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

In H1 2021 intra-group transactions and/or transactions with related parties/associated persons, Italian and foreign, were carried out within routine operations and the related financial activities and generally executed at terms and conditions similar to those applied to transactions with unrelated parties.

Intra-group transactions were carried out based on reciprocal business expediency considerations and the terms and conditions to be applied were defined in compliance with substantive fairness, pursuing the shared objective of creating value for the Crédit Agricole Italia Banking Group as a whole.

The same principle was applied also to intra-group provision of services, along with the principle of pricing such services at the lowest amount required to recover the related production costs.

Type of related parties	Financial assets held for trading	Financial assets at fair value through other comprehensive income	Financial assets measured at amortized cost: due from Customers	Financial assets measured at amortized cost: due from Banks	Financial liabilities measured at amortized cost: due to Customer	Financial liabilities measured at amortized cost: due to Banks	Guarantees given
Controlling Company	-	-	-	185,447	-	902,782	10,361
Entities exercising significant influence on the Company	-	-	-	-	28,511	-	-
Associates	42	-	59,006	-	18,938	-	2,399
Directors and Managers with strategic responsibilities	-	-	3,553	-	6,388	-	614
Other related parties	6,471	3,609	6,381,687	434,056	410,658	440,944	124,670
Total	**6,513**	**3,609**	**6,444,246**	**619,503**	**464,495**	**1,343,726**	**138,044**

MAIN INCOME TRANSACTIONS WITH RELATED PARTIES

Amounts in thousands of Euros	Net interest income	Net fee and commission income	Personnel expenses
Controlling Company	-12,103	-393	-72
Entities exercising significant influence on the Company	-	18	-
Associates	478	60	-
Directors and Managers with strategic responsibilities	10	82	-7,512
Other related parties	19,848	242,934	-36

Certification of the Half-year Report and Condensed Consolidated Financial Statements pursuant to Article 154-bis of Italian Legislative Decree No. 58/1998

CRÉDIT AGRICOLE

1. The undersigned Giampiero Maioli, Chief Executive Officer, and Pierre Débourdeaux, Manager responsible for preparing of the Company's financial reports of Crédit Agricole Italia 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 and
   - 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 2021.
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, 27 July 2021

Giampiero Maioli

Chief Executive Officer

Pierre Débourdeaux

Manager responsible for preparing the Company's financial reports

Crédit Agricole Italia S.p.A. - Sede Legale Via Università, 1 - 43121 Parma - Telefono 0521 912111

Capitale Sociale euro 979.236.544,00 i.v. - Iscritta al Registro Imprese di Parma, Codice Fiscale n. 02113530345, aderente al Gruppo IVA Crédit Agricole Italia, Partita IVA n. 02886650346. Codice ABI 6230.7. Iscritta all'Albo delle Banche al n. 5435. Aderente al Fondo Interbancario di Tutela dei Depositi e al Fondo Nazionale di Garanzia. Capogruppo del Gruppo Bancario Crédit Agricole Italia iscritto all'Albo dei Gruppi Bancari al n. 6230.7 - Società soggetta all'attività di Direzione e Coordinamento di Crédit Agricole S.A.

Independent Auditors' Report

pwc

REVIEW REPORT ON HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Crédit Agricole Italia SpA

Foreword

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Crédit Agricole Italia SpA and its subsidiaries (Crédit Agricole Italia Group) as of 30 June 2021, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. The directors of Crédit Agricole Italia SpA are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of the half-yearly condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope 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 half-yearly condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-yearly condensed consolidated financial statements of Crédit Agricole Italia Group as of 30 June 2021 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

www.pwc.com/it

Other Matters

The consolidated financial statements as of and for the year ended 31 December 2020 and the half-yearly condensed consolidated financial statements for the period ended 30 June 2020 were audited and reviewed, respectively, by other auditors, who on 1 April 2021 expressed an unqualified opinion on the consolidated financial statements, and on 30 July 2020 expressed an unmodified conclusion on the half-yearly condensed consolidated financial statements.

Milan, 4 August 2021

PricewaterhouseCoopers SpA

Signed by

Raffaella Preziosi
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Annexes

Financial Statements of the Parent Company

BALANCE SHEET

Assets		30.06.2021	31.12.2020
10.	Cash and cash equivalents	256,225,774	313,267,087
20.	Financial assets measured at fair value through profit or loss	92,232,794	107,803,628
	a) financial assets held for trading;	56,123,687	71,125,590
	b) financial assets designated at fair value;	-	-
	c) other financial assets mandatorily measured at fair value	36,109,107	36,678,038
30.	Financial assets measured at fair value through other comprehensive income	3,053,644,379	2,954,732,162
40.	Financial assets measured at amortized cost	62,749,269,587	61,344,579,043
	a) due from banks	11,780,140,555	11,055,537,987
	b) loans to customers	50,969,129,032	50,289,041,056
50.	Hedging derivatives	635,466,756	943,109,339
60.	Fair value change of financial assets in macro-hedge portfolios (+/-)	82,336,373	112,621,231
70.	Equity investments	1,942,761,789	1,078,485,794
80.	Property, Plant and Equipment	753,025,000	766,812,916
90.	Intangible assets	1,150,802,031	1,163,103,116
	- of which goodwill	1,042,597,768	1,042,597,768
100.	Tax assets	1,153,669,764	1,278,122,645
	a) current	204,318,063	281,937,502
	b) deferred	949,351,701	996,185,143
110.	Non-current assets held for sale and discontinued operations	-	5,207,320
120.	Other assets	503,518,849	246,847,367
Total assets		**72,372,953,096**	**70,314,691,648**

Liabilities and Equity		30.06.2021	31.12.2020
10.	Financial liabilities measured at amortized cost	62,296,388,049	61,053,271,988
	a) Due to banks	14,607,980,523	12,940,954,509
	b) Due to Customers	37,085,629,796	37,527,841,314
	c) Debt securities issued	10,602,777,730	10,584,476,165
20.	Financial liabilities held for trading	61,322,363	81,546,462
30.	Financial liabilities designated at fair value	-	-
40.	Hedging derivatives	730,084,910	705,939,342
50.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	255,069,423	386,252,935
60.	Tax liabilities	107,961,378	187,773,762
	a) current	69,115,430	106,283,019
	b) deferred	38,845,948	81,490,743
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80.	Other liabilities	1,719,825,043	1,018,449,681
90.	Employee severance benefits	88,086,198	92,002,367
100.	Provisions for risks and charges	258,708,264	274,203,229
	a) commitments and guarantees given	24,967,195	25,327,625
	b) post-employment and similar obligations	32,958,746	35,815,686
	c) other provisions for risks and charges	200,782,323	213,059,918
110.	Valuation reserves	-44,025,015	-33,784,159
120.	Redeemable shares	-	-
130.	Equity instruments	715,000,000	715,000,000
140.	Reserves	1,920,108,318	1,568,205,841
150.	Share premium reserve	3,118,400,842	3,118,389,293
160.	Capital	979,236,544	979,234,664
170.	Treasury shares (+/-)	-	-
180.	Profit (Loss) for the period (+/-)	166,786,779	168,206,243
Total liabilities and equity		**72,372,953,096**	**70,314,691,648**

INCOME STATEMENT

Items		30.06.2021	30.06.2020
10.	Interest and similar income	361,612,852	366,075,459
	Of which: interest income calculated with the effective interest method	358,839,328	364,719,928
20.	Interest and similar expense	16,320,051	17,806,057
30.	**Net interest income**	**377,932,903**	**383,881,516**
40.	Fee and commission income	424,928,238	361,780,280
50.	Fee and commission expense	(18,015,997)	(15,816,474)
60.	**Net fee and commission income**	**406,912,241**	**345,963,806**
70.	Dividends and similar income	10,569,370	10,378,111
80.	Net profit (loss) on trading activities	13,690,296	4,165,576
90.	Net profit (loss) on hedging activities	(3,276,165)	(3,990,818)
100.	Profit (losses) on disposal or repurchase of:	27,888,129	948,706
	a) financial assets measured at amortized cost	1,081,242	896,768
	b) financial assets measured at fair value through other comprehensive income	26,791,719	-
	c) financial liabilities	15,168	51,938
110.	Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	51,645	(28,053)
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	51,645	(28,053)
120.	**Net interest and other banking income**	**833,768,419**	**741,318,844**
130.	Net losses/recoveries for credit risk on:	(112,802,112)	(198,259,411)
	a) financial assets measured at amortized cost	(110,593,113)	(197,468,021)
	b) financial assets measured at fair value through other comprehensive income	(2,208,999)	(791,390)
140.	Profits/Losses on contract modifications without derecognition	(623,998)	(549,172)
150.	**Net financial income (loss)**	**720,342,309**	**542,510,261**
160.	Administrative expenses:	(626,348,833)	(589,083,694)
	a) personnel expenses	(274,867,580)	(274,348,306)
	b) other administrative expenses	(351,481,253)	(314,735,388)
170.	Net provisions for risks and charges	(4,354,352)	(4,313,041)
	a) commitments and guarantees given	184,081	(763,340)
	b) other net provisions	(4,538,433)	(3,549,701)
180.	Net adjustments of/recoveries on property, plant and equipment	(28,788,168)	(28,071,830)
190.	Net adjustments of/recoveries on intangible assets	(12,301,085)	(12,345,910)
200.	Other operating expenses/income	136,614,953	119,813,486
210.	**Operating costs**	**(535,177,485)**	**(514,000,989)**
220.	Profit (losses) on equity investments	-	9,530,007
230.	Net profit (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
240.	Goodwill impairment	-	-
250.	**Profit (losses) on disposals of investments**	**158,480**	**64,780,976**
260.	Profit (Loss) before tax from continuing operations	185,323,304	102,820,255
270.	Taxes on income from continuing operations	(18,536,525)	(27,895,136)
280.	**Profit (Loss) after tax from continuing operations**	**166,786,779**	**74,925,119**
290.	Profit (Loss) after tax from discontinued operations	-	-
300.	**Profit (Loss) for the period**	**166,786,779**	**74,925,119**

STATEMENT OF COMPREHENSIVE INCOME

Items		30.06.2021	30.06.2020
10.	**Profit (Loss) for the period**	**166,786,779**	**74,925,119**
	Other comprehensive income after tax not recycled to profit or loss		-
20.	Equity securities designated at fair value through other comprehensive income	1,082,334	(3,447,071)
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)		-
40.	Hedging of equity securities designated at fair value through other comprehensive income		-
50.	Property, Plant and Equipment		-
60.	Intangible assets		-
70.	Defined-benefit plans	1,147,977	834,311
80.	Non-current assets held for sale and discontinued operations		-
90.	Share of valuation reserve on equity investments measured with the equity method:		-
	Other income components reclassified to profit or loss		-
100.	Hedging of investments in foreign operations		-
110.	Foreign exchange differences		-
120.	Cash flow hedges		-
130.	Hedging instruments (non-designated elements)		-
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(12,471,167)	(17,594,866)
150.	Non-current assets held for sale and discontinued operations		-
160.	Share of valuation reserve on equity investments measured with the equity method:		-
170.	**Total other comprehensive income after taxes**	**(10,240,856)**	**(20,207,626)**
180.	**Comprehensive income (Item 10+170)**	**156,545,923**	**54,717,493**

STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2021

	Share capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Profit (Loss) for the period	Shareholders' equity
			Retained earnings reserves	other				
EQUITY AS AT 31 DEC. 2020	**979,234,664**	**3,118,389,293**	**1,565,178,584**	**3,027,257**	**-33,784,159**	**715,000,000**	**168,206,243**	**6,515,251,882**
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR								-
Reserves	-	-	76,887,211	-	-	-	-76,887,211	-
Dividends and other allocations	-	-	-	-	-	-	-91,319,032	-91,319,032
CHANGES IN THE PERIOD								
Changes in reserves	-	-	361,529	300,000,000	-	-	-	300,361,529
Transactions on equity								
Issues of new shares	1,880	11,549	-	-	-	-	-	13,429
Purchase of treasury shares	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-25,346,263	-	-	-	-	-25,346,263
Derivatives on treasury shares	-	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-10,240,856	-	166,786,779	156,545,923
EQUITY AS AT 30 JUNE 2021	**979,236,544**	**3,118,400,842**	**1,617,081,061**	**303,027,257**	**-44,025,015**	**715,000,000**	**166,786,779**	**6,855,507,468**

STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2020

	Share capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Profit (Loss) for the period	Shareholders' equity
			Retained earnings reserves	other				
EQUITY AS AT 31 DEC. 2019	**979,233,295**	**3,118,380,883**	**1,315,927,512**	**2,822,143**	**-44,789,696**	**715,000,000**	**302,570,911**	**6,389,145,048**
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR								-
Reserves	-	-	301,070,911	-	-	-	-301,070,911	-
Dividends and other allocations	-	-	-	-	-	-	-1,500,000	-1,500,000
CHANGES IN THE PERIOD								
Changes in reserves	-	-	-202,228	-	-	-	-	-202,228
Transactions on equity								
Issues of new shares	1,369	8,410	-	-	-	-	-	9,779
Purchase of treasury shares	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-25,810,262	-	-	-	-	-25,810,262
Derivatives on treasury shares	-	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-20,207,626	-	74,925,119	54,717,493
EQUITY AS AT 30 JUNE 2020	**979,234,664**	**3,118,389,293**	**1,590,985,933**	**2,822,143**	**-64,997,322**	**715,000,000**	**74,925,119**	**6,416,359,830**

STATEMENT OF CASH FLOWS

		30.06.2021	30.06.2020
A.	**OPERATING ACTIVITIES**		
1.	**Operations**	**432,950,881**	**350,443,479**
-	profit (loss) for the period (+/-)	166,786,779	74,925,119
-	gains (losses) on financial assets held for trading and financial assets/liabilities - measured at fair value through profit or loss (-/+)	-6,404,965	2,948,291
-	Gains/losses on hedging activities (-/+)	-5,974,270	3,884,726
-	Net losses/recoveries for credit risk (+/-)	92,709,414	178,347,918
-	Net adjustments of/recoveries on property, plant and equipment and intangible assets (+/-)	41,089,253	40,417,740
-	Net provisions for risks and charges and other costs/revenues (+/-)	4,354,352	4,313,041
-	taxes, levies and tax credits not settled (+)	18,536,525	27,895,136
-	Net impairment losses/recoveries on discontinued operations net - of tax effect (-/+)	-	-
-	Other adjustments (+/-)	121,853,793	17,711,508
2.	**Cash flow generated/absorbed by financial assets**	**-1,911,388,279**	**-7,361,965,293**
-	Financial assets held for trading	21,406,868	18,463,897
-	Financial assets designated at fair value	-	-
-	Financial assets mandatorily measured at fair value	568,931	-29,188,397
-	Financial assets measured at fair value through other comprehensive income	-112,148,520	17,061,438
-	Financial assets measured at amortized cost	-1,490,207,940	-7,283,586,357
-	Other assets	-331,007,618	-84,715,874
3.	**Cash flow generated/absorbed by financial liabilities**	**2,087,433,765**	**6,789,457,399**
-	Financial liabilities measured at amortized cost	1,471,520,013	6,456,950,547
-	Financial liabilities held for trading	-20,224,099	5,655,578
-	Financial liabilities designated at fair value	-	-
-	Other liabilities	636,137,851	326,851,274
Net cash flow generated/absorbed by operating activities		**608,996,367**	**-222,064,415**
B.	**INVESTMENT ACTIVITIES**		
1.	**Cash flow generated by:**	**16,069,370**	**160,139,002**
-	sales of equity investments	-	9,760,891
-	dividend received on equity investments	10,569,370	10,378,111
-	sales of property, plant and equipment	5,500,000	140,000,000
-	sales of intangible assets	-	-
-	sales of business units	-	-
2.	**Cash flow absorbed by:**	**-865,455,184**	**-4,607,718**
-	purchases of equity investments	-864,275,995	-2,273,555
-	purchases of property, plant and equipment	-1,179,189	-2,334,163
-	purchases of intangible assets	-	-
-	purchases of business units	-	-
Net cash flow generated/absorbed by investing activities		**-849,385,814**	**155,531,284**
C.	**FUNDING ACTIVITIES**		
-	issues/purchases of treasury shares	13,429	9,779
-	issues/purchases of equity instruments	-25,346,263	-25,810,262
-	distribution of dividends and other	208,680,968	-1,500,000
Net cash flows generated/absorbed by funding activities		**183,348,134**	**-27,300,483**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**-57,041,313**	**-93,833,614**

RECONCILIATION

Financial Statement items	30.06.2021	30.06.2020
Opening cash and cash equivalents	313,267,087	326,278,580
Total net increase in cash and cash equivalents	-57,041,313	-93,833,614
Cash and cash equivalents: foreign exchange effect	-	-
Closing cash and cash equivalents	**256,225,774**	**232,444,966**

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

Reconciliation of Parent Company equity and profit (loss) for the period and consolidated equity and profit (loss) for the period

	30.06.2021	
	Equity	of which: Net profit (loss) for the period
Parent Company's balances	**6,855,507**	**166,786**
Effect of consolidation of subsidiaries	231,379	17,588
Effect of the equity method accounting of significant equity investments		-
Dividends received in the period		
Negative difference on Creval consolidation		377,632
Other changes		
Consolidated balances	7,086,886	562,006

Crédit Agricole Italia S.p.A.

Registered Office Via Università, 1 – 43121 Parma, Italy
Phone +39. 0521912111

Share Capital: Euro 979,236,544.00 fully paid in
On the Business Register of Parma,
Taxpayer Identification Number 02113530345,
Member of the Crédit Agricole Italia VAT Group
VAT Identification Number 02886650346
Italian Banking Association (ABI) Code 6230.7
On the Italian Register of Banks at No. 5435.
Member of the Italian Interbank Deposit Protection
Fund and of the Italian National Compensation Fund.
Parent Company of the Crédit Agricole Italia Banking Group, which is on the
Italian Register of Banking Groups at entry No. 6230.7
Company subject to the management and coordination of Crédit Agricole S.A.

CRÉDIT AGRICOLE