2019 ANNUAL REPORT AND FINANCIAL STATEMENTS

CRÉDIT AGRICOLE

Crédit Agricole Italia Banking Group

Annual Report and Financial Statements

2019

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Letter from the Chairman

In 2019 the Italian GDP slightly picked up by +0.2% vs. 2018, driven by a modest increase in consumption and exports.

The **Italian banking system proved sound**, benefiting from the improvement in asset quality thanks to a strong decrease in non-performing loans and to better credit quality, as well as to effective control of operating expenses, as the key drivers in maintaining profitability. Italian banks proved to be in better conditions than in the past, as confirmed also by the rating agencies, which, at the end of 2019 upgraded the industry outlook from negative to stable. Furthermore, in 2019 considerable non-recurring income was recognized, mainly from restructuring of banking groups and from stronger capital ratios, well above the ECB requirements. However, in a scenario that features continuous developments in the applicable legislation and regulations, as well as interest rates continuing low, priority objectives are the improvement in operational efficiency and, at the same time, progressive investments to meet the digitalization challenge.

In this scenario, the **Crédit Agricole Italia Banking Group** once again proved able to generate sustainable profitability, as in the previous years. Net income came to Euro 314 million, the highest posted by the Group so far[1]. This is an important contribution to the excellent performance of the set the entities of **Crédit Agricole in Italy**, which, also thanks to constant increase in cooperation and synergies, posted aggregate net income of Euro 846 million, up to +7% YOY.

The Bank's **assets under management** considerably grew by +11% YOY, with assets/products sold increasing thanks to the good contribution of both funds under management and insurance schemes. Performing loans increased by +2% YOY, driven by home loans and loans to businesses. Direct funding increased by +3% YOY, driven by the growth in deposits and current accounts. Institutional investors' trust in the Group was also confirmed, as substantiated by the success, in January 2020, of its covered bond issue with the longest maturity ever in Italy (25 years).

The commercial performance continued to be strong, 134 **thousand new customers** were acquired, thanks to the considerable contribution given by the **digital channel**, with 1 account out of 5 opened online, and to the development of the internal network of **financial advisors. Bancassurance** also proved an important driver, with the number of non-life insurance contracts increasing by +25%. The Group continued to provide **support to households**, with loans to individuals up by +5% YOY and with growth also in consumer credit intermediation volumes and in new home loans, up by +3% YOY and +2% YOY, respectively. Support continued to be provided also to the real economy, with **loans to businesses** increasing by +4%, with specific focus on sectors that are strategic for the Group, such as the Agri-Food one.

Constant focus on credit quality resulted in a YOY decrease of -27% in new loan defaults. The weight of net non-performing loans came to 3.5% and the coverage ratios of non-performing loans were once again adequate.

The Group **rating**, which is Baa1 with stable outlook, **proved once again at the top of the Italian Banking System**. The liquidity position has remained well above the regulatory requirements and the Group's capital position strong, with the Total Capital Ratio at 18.1% up by 130bps vs. the previous year and the Fully Loaded Common Equity Tier 1 ratio at 12.5%.

2019 was an important year, and not only in terms of the achieved performances, but also because of the presentation and implementation of the **2019-2022 Medium Term Plan**. A plan that has **customer centrality, attention to people** and **sustainability** at its core.

1 Net of the badwill effect in 2017 from the purchase of the 3 Savings Banks.

The **importance attached to the environment** and to an ethical way of doing business has translated into promoting **socially sustainable and responsible investments**, in compliance with ESG (Environmental, Social, Governance) standards, supporting players and enterprises that are virtuous in terms of environment protection, respect for people and rules of conduct, with the adoption of ESG approaches in **lending policies**. In addition to traditional social sustainability projects in favour of people with disabilities and paediatric care, and to promotion of artistic heritage, the Group continued to support Circular Economy through waste reduction and reuse of goods, in cooperation with Legambiente, and to promote energy transformation through actions aimed at reducing CO2 emissions.

The Group's raison d'être was strongly expressed also in renewed impetus to the activities aimed at reasserting **the centrality of customers and employees**. The achieved improvement in customer experience led to a considerable increase in the market recommendation index across all segments, thanks to full-range listening to customers' needs and to digital innovation. The enhancement of human capital was attained also with the **recruitment of about new 400 resources**, 85% of whom young people. Other achievements were also progressive improvement in work–life balance, with 1,400 resources that have opted for **smart working**, the enhancement of female talent and the signing of agreements involving the trade unions aimed at preventing any and all forms of discrimination and promoting ethically and socially responsible behaviours.

Based on this, the Group was able to operate also towards innovation applied to the business and workplaces. Shining examples of this are **Crédit Agricole Green Life**, the Group headquarters in Parma, which obtained the Leed Platinum the Leed Platinum certification for energy efficiency and the high eco-friendly standards of its buildings, and the growth of **Le Village by CA in Milan**, a national network supporting the business of 34 startups, the first of others that will be set up in other communities. Furthermore, new hubs were opened in Mestre, Verona, Genoa and Salerno, substantiating the Group's attention to customers, while ensuring local coverage.

The excellent performances achieved and the tremendous work made in 2019 give evidence that the Group is pursuing a more and more effective way of doing banking business, thanks also to the cooperation with all the entities of Crédit Agricole in Italy and to its belonging to a leading international group. But this is not enough. Our work is going to continue so that we prove one of the most reliable and competitive banks in Italy, being fully aware that the road to success can be tread thanks not only to investments in the business, but also, and especially, to investments in human capital.

The Chairman
Ariberto Fassati

Governing, Control Bodies and Independent Auditors

Board of Directors

CHAIRMAN

Ariberto Fassati

DEPUTY-CHAIRS

Xavier Musca

Annalisa Sassi(*)

CHIEF EXECUTIVE OFFICER

Giampiero Maioli(*)

DIRECTORS

Evelina Christillin(°)

François-Edouard Drion(*)

Jacques Ducerf

Daniel Epron

Anna Maria Fellegara(°)

Lamberto Frescobaldi Franceschi Marini(°)

Nicolas Langevin

Paolo Maggioli(°)

Michel Mathieu

Andrea Pontremoli(*)

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

Board of Statutory Auditors

CHAIRMAN

Paolo Alinovi

STANDING AUDITORS

Luigi Capitani

Maria Ludovica Giovanardi

Stefano Lottici

Germano Montanari

ALTERNATE AUDITORS

Alberto Cacciani

Roberto Perlini

General Management

DEPUTY GENERAL MANAGER FOR RETAIL BANKING

Roberto Ghisellini

DEPUTY GENERAL MANAGER FOR CORPORATE BANKING

Olivier Guilhamon

FINANCIAL REPORTING OFFICER

Pierre Débourdeaux

INDEPENDENT AUDITORS

EY S.p.A.

Key figures

Income Statement data (thousands of Euro)	2019	2018	2017
Net operating revenues	1,952,962	1,937,971	1,711,188
Operating margin	717,812	664,527	666,172
Net profit (loss)	314,069	273,898	690,240(*)

Balance Sheet data (thousands of Euro)	2019	2018	2017
Loans to Customers	51,600,193	51,001,282	44,251,456
Of which securities measured at amortized cost	4,913,787	4,985,559	
Funding from Customers	49,710,264	48,159,170	50,358,320
Indirect funding from Customers	71,294,531	63,477,921	64,172,911

Operating structure	2019	2018	2017
Number of employees	9,751	9,878	10,271
Number of branches	895	984	1,015

Profitability, efficiency and credit quality ratios	2019	2018	2017
Cost(°)/income ratio	61.2%	63.6%	57.6%
Net profit/Average equity (ROE)	5.0%	4.6%	4.6%
Net profit/Average Tangible Equity (ROTE)	7.1%	6.9%	7.2%
Gross non-performing exposures/Gross loans to customers (gross NPE ratio)	7.1%	7.6%	10.9%
Net non-performing loans/Net loans to Customers (net NPE ratio)	3.5%	3.8%	7.6%
Total adjustments of non-performing loans/Gross non-performing loans	52.6%	52.5%	44.9%

Capital ratios	2019	2018	2017
Common Equity Tier 1 ratio	12.5%	11.2%	11.6%
Tier 1 ratio	15.0%	13.8%	12.8%
Total capital ratio	18.1%	16.8%	15.1%

(*) The net profit takes account of the badwill (positive impact of approx. Euro 494 million) and of the expenses for the integration of the Fellini Banks.
(°) Ratio calculated excluding ordinary and extraordinary contributions to support the banking system.

Significant events

JANUARY

Crédit Agricole Green Life obtained the LEED® certification for new buildings in Italy with a Platinum rating, the top score in accordance with the US protocol acknowledging the high eco-friendly standards of the premises.

FEBRUARY

For the 11th year in a row, the Crédit Agricole Italia Banking Group was awarded the Top Employers certification.

On 26 February 2019, the General Meeting of Crédit Agricole Italia Shareholders approved the change of the Company name from Crédit Agricole Cariparma to Crédit Agricole Italia.

The Crédit Agricole Italia Banking Group ranked 2nd top in the Investment Products and Services category within the Financial Innovation Italian Awards, for "Soluzione Valore Plus", the bespoke advisory service on financial investments for Private Banking Customers.

MARCH

On 15 March Crédit Agricole Italia successfully finalized a new issue of Covered Bonds (CD). The CD issue totalling Euro 750 million again gave evidence of investors' high opinion of the Group, with one of the highest demand in the Italian CD market in the last three years and with one the lowest spreads in 2019.

MAY

Le Village by CA Milano was opened, the first innovation hub of Crédit Agricole in Italy.

JUNE

The Crédit Agricole Group presented a new Group Project and the new Medium-Term Plan to 2022.

Crédit Agricole FriulAdria and Crédit Agricole Carispezia were awarded the Value Creator Prize as the Bank of the Friuli Venezia Giulia Region and of the Liguria Region, respectively.

Crédit Agricole Green Life won the "City Brand & Tourism Landscape" international award, promoted by the Italian national Board of Architects, Urban Planners, Landscape Architects and Heritage Preservers and by Paysage, aimed at rewarding the best practices within various scopes of landscape architecture.

The Crédit Agricole Italia Banking Group was the first banking group to subscribe to the Italian Banking Association (ABI) Charter "Women in banking".

The Group adopted the "Charter of respect", which has joined the Code of Ethics and the Code of Conduct of Crédit Agricole Italia, in order to lay down some important principles and practical recommendations to build a more and more inclusive workplace.

JULY

Merger of Crédit Agricole Carispezia into Crédit Agricole Italia.

AUGUST

The Crédit Agricole Italia Banking Group was the first banking group to obtain the "Privacy Ok" quality mark from Federprivacy (Italian Association of Data Protection Professionals), which certified compliance of the Group's websites with the "Privacy and personal data protection on the Internet and in e-commerce" Code.

OCTOBER

CrowdForLife, the Crédit Agricole Italia Banking Group's portal went live, as the meeting point between nonprofit organizations and all those who want to support their beliefs. Thanks to CrowdForLife, funds can be raised with social objectives and support can be obtained from all those who want to participate in a shared cause: a small contribution becomes something big and a project becomes a shared adventure."

NOVEMBER

The Corporate Finance team of the Crédit Agricole Italia Banking Group received the TEAM OF THE YEAR LEVERAGED FINANCE award for its excellent performance in the financial sector, from Finance Community in cooperation with the Dentons Law Firm.

Loan of Euro 50 million linked to sustainability agreed on by and between the Crédit Agricole Group and Prada. This Sustainability Term Loan (five-year term loan linked to sustainability) has an interest rate that may be reduced if some objectives are achieved and the luxury fashion house was the first to take out a loan of this type.

DECEMBER

The book "Firenze. Oltrarno, i Banchi, il giovane Leonardo", a publishing initiative by Franco Maria Ricci in cooperation with Crédit Agricole Italia.

The Crédit Agricole Group

1° FIRST

WORLD COOPERATIVE COMPANY	ASSET MANAGER IN EUROPE	BANCASSURER IN FRANCE

Key figures of 2019

51 MILLION CUSTOMERS	**47** COUNTRIES	**142,000** STAFF MEMBERS
7.2 BLN € UNDERLYING NET INCOME	**115 BLN €** EQUITY - GROUP SHARE	**15.9%*** CET1 RATIO

Rating

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

* Following the Recommendation of the European Central Bank of 27 March 2020 on dividend distributions during the COVID-19 pandemic, Crdit Agricole S.A. decided to suspend the planned dividend distribution and to propose to the General Meeting of Shareholders of 13 May 2020 that the full profit for 2019 be allocated to an equity reserve; this will determine an increase in the CET1 ratio of approximately 20 bps.

The Crédit Agricole Group in Italy

1°
FIRST

PLAYER IN THE ITALIAN
CONSUMER FINANCE MARKET *

3°
THIRD

ASSET MANAGER
IN ITALY**

Key figures of 2019

4.5 MILLION
CUSTOMERS

14.,000
STAFF MEMBERS

846 MLN €***
NET INCOME – GROUP SHARE

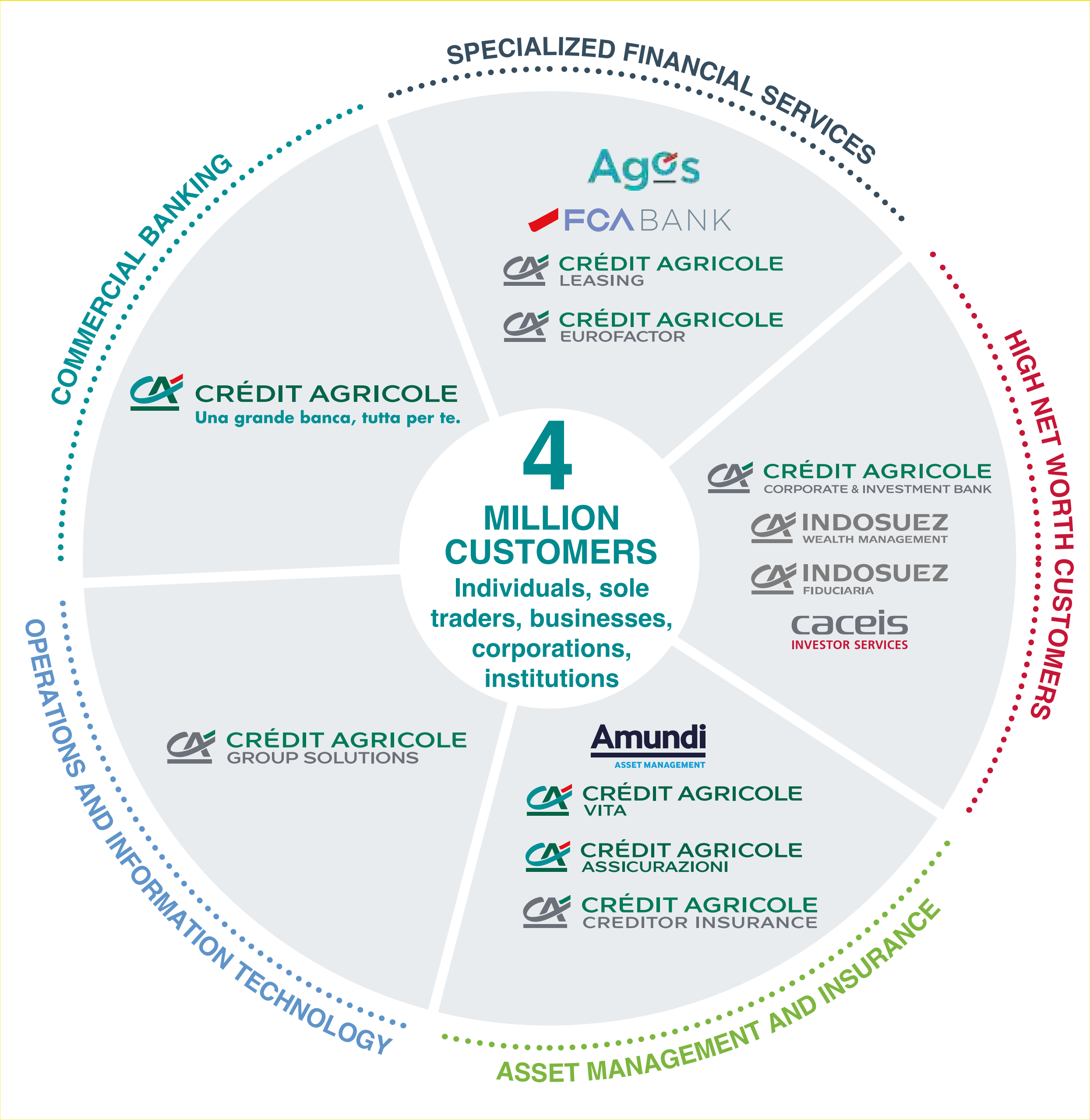
3.5 BLN €
NET OPERATING REVENUES

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

76 BLN €
LOANS TO CUSTOMERS

* Source: Agos and FCA Bank.
** Source: Assogestioni, "Mappa trimestrale del Risparmio Gestito", 4Q 2019. Data gross of duplications.
*** Of which 645 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.

2 MILLION
CUSTOMERS

10,000
STAFF MEMBERS

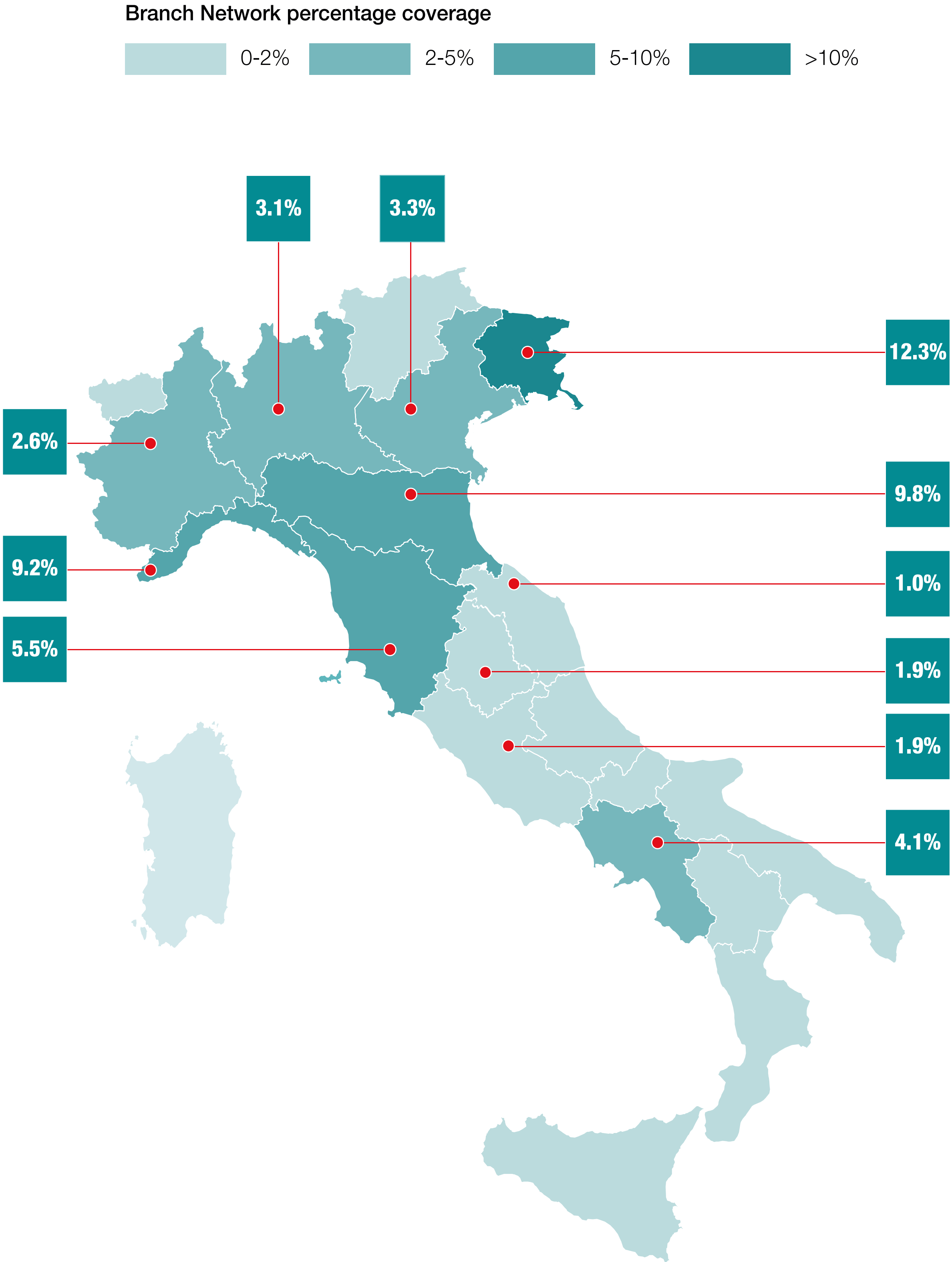
314 MLN €
NET INCOME - GROUP SHARE

2 BLN €
NET OPERATING REVENUES

OVER
1,000
POINTS OF SALE

OVER
46 BLN €
TOTAL LOANS

Branch Network percentage coverage by Region



System figure – source: Bank of Italy, 31 December 2019
Group figure as at 31 December 2019

CRÉDIT AGRICOLE

Parent Company of the Crédit Agricole Italia Banking Group, it is strongly rooted in the communities it operates in and originated from local banks. In July 2019, Crédit Agricole Carispezia was merged into Crédit Agricole Italia, **extending its branch network to the main production centers**.

846 POINTS OF SALE	**39.3 BLN €** WORTH OF LOANS	**106.7 BLN €** WORTH OF TOTAL FUNDING

CRÉDIT AGRICOLE FRIULADRIA

NIn 2007, Crédit Agricole FriulAdria became part of the Group, with the objective of expanding its operations to cover the entire Triveneto Region. It has **16,000 mutual shareholders**, who give evidence of its strong bond with the local fabric; today it is a reference point for households and businesses in North-eastern Italy, and is implementing a **significant project to expand operations to the Veneto Region**.

197 POINTS OF SALE	**7.7 BLN €** WORTH OF LOANS	**16.1 BLN €** WORTH OF TOTAL FUNDING

CRÉDIT AGRICOLE LEASING

The Crédit Agricole Italia Banking Group's leasing entity. Crédit Agricole Leasing Italia operates in the equipment, vehicle, real estate, seacraft and aircraft and renewable energy financial leasing segments. **At the end of 2019, the loan portfolio amounted to approximately Euro 2Bln**.

CRÉDIT AGRICOLE GROUP SOLUTIONS

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

Crédit Agricole Italia Banking Group

2019 Annual Report and Consolidated Financial Statements

Group financial highlights and ratios

Income Statement highlights (°) (thousands of Euro)	31.12.2019	31.12.2018	Changes	
			Absolute	%
Net interest income	1,009,639	990,512	19,127	1.9
Net fee and commission income	919,313	898,245	21,068	2.3
Dividends	11,368	12,614	-1,246	-9.9
Income from banking activities	9,501	34,705	-25,204	-72.6
Other operating income (expenses)	3,141	1,895	1,246	65.8
Net operating income	1,952,962	1,937,971	14,991	0.8
Operating expenses	-1,235,150	-1,273,444	-38,294	-3.0
Operating margin	717,812	664,527	53,285	8.0
Cost of risk [a]	-248,261	-241,408	6,853	2.8
Of which net value adjustments of loans	*-239,384*	*-260,194*	*-20,810*	*-8.0*
Profit for the year	314,069	273,898	40,171	14.7

Balance Sheet highlights(°) (thousands of Euro)	31.12.2019	31.12.2018	Changes	
			Absolute	%
Loans to customers	51,600,193	51,001,282	598,911	1.2
Of which securities measured at amortized cost	4,913,787	4,985,559	-71,772	-1.4
Net financial Assets/Liabilities at fair value	43,031	51,641	-8,610	-16.7
Financial assets measured at fair value through other comprehensive income	3,068,244	3,260,746	-192,502	-5.9
Equity investments	20,483	27,755	-7,272	-26.2
Property, plant and equipment and intangible assets	2,930,455	2,783,987	146,468	5.3
Total net assets	60,828,784	60,138,935	689,849	1.1
Funding from Customers	49,710,264	48,159,170	1,551,094	3.2
Indirect funding from Customers	71,294,531	63,477,921	7,816,610	12.3
of which: asset management	37,999,461	34,366,212	3,633,249	10.6
Net loans to banks	1,360,306	2,492,554	-1,132,248	-45.4
Equity	6,443,796	6,193,214	250,582	4.0

Operating structure	31.12.2019	31.12.2018	Changes	
			Absolute	%
Number of employees	9,751	9,878	-127	-1.3
Average number of employees[§]	9,217	9,452	-235	-2.5
Number of branches	895	984	-89	-9.0

(°) Income statement and balance sheet data are those restated in the reclassified financial statements shown on pages 27 and 37.

(a) The cost of risk includes provisioning for risks and charges, net value adjustments of loans and impairment of securities

(§) The average number has been calculated as the weighted average of employees and atypical workers, where the weight is the number of months worked in the year; part-time staff is conventionally weighted at 50%

Structure ratios(°)	**31.12.2019**	**31.12.2018**
Loans to customers /Total net assets	76.8%	76.5%
Direct funding from Customers/Total net assets	81.7%	80.1%
Asset management/Total indirect funding from Customers	53.3%	54.1%
Loans to Customers/ Direct funding from Customers	93.9%	95.5%
Total assets/Equity	10.2	10.3

Profitability ratios(°)	**31.12.2019**	**31.12.2018**
Net interest income/Net operating income	51.7%	51.1%
Net fee and commission income/Net operating income	47.1%	46.3%
Cost(*) /income ratio	61.2%	63.6%
Net income/Average equity (ROE)[a]	5.0%	4.6%
Net income/Average Tangible Equity (ROTE) [a]	7.1%	6.9%
Net profit/Total assets (ROA)	0.5%	0.4%
Net profit/Risk-weighted assets	1.1%	1.0%

Risk ratios(°)	**31.12.2019**	**31.12.2018**
Gross bad loans/Gross loans to Customers	3.8%	4.2%
Net bad loans/Net loans to Customers	1.3%	1.4%
Gross non-performing exposures/Gross loans to customers (gross NPE ratio)	7.1%	7.6%
Impairments of loans/Net loans to Customers(°)	0.5%	0.6%
Cost of risk(b)/Operating margin	34.6%	36.3%
Net bad loans/Total Capital[c]	11.7%	13.5%
Net non-performing loans/Net loans to Customers (net NPE ratio)	3.5%	3.8%
Total Impairments of non-performing loans/Gross non-performing loans	52.6%	52.5%

Productivity ratios (°) (in income terms)	**31.12.2019**	**31.12.2018**
Operating expenses/No. of Employees (average)	134	135
Operating income/No. of Employees (average)	212	205

Productivity ratios (in financial terms)	**31.12.2019**	**31.12.2018**
Loans to Customers/No. of Employees (average)	5,065	4,868
Direct funding from Customers/No. of Employees (average)	5,393	5,095
Gross banking income(e) / No. of employees (average)	18,193	16,680

Capital and liquidity ratios	**31.12.2019**	**31.12.2018**
Common Equity Tier 1(d) /Risk-weighted assets (CET 1 ratio)	12.5%	11.2%
Tier1(f) /Risk-weighted assets (Tier 1 ratio)	15.0%	13.8%
Total Capital (c) /Risk-weighted assets (Total capital ratio)	18.1%	16.8%
Risk-weighted assets (Euro thousands)	28,550,146	27,842,151
Liquidity Coverage Ratio (LCR)	204%	148%

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements shown on pages 27 and 37.
(*) Ratio calculated excluding ordinary and extraordinary contributions to support the banking system
(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 value adjustments of loans and impairment of securities
(c) Total Capital: total regulatory own funds.
(d) Common Equity Tier 1: Common Equity Tier 1
(e) Loans to Customers + Direct Funding + Indirect Funding
(f) Tier 1: Tier 1 Capital.

Management Report to the Consolidated Financial Statements

THE MACROECONOMIC SCENARIO AND THE FINANCIAL SYSTEM

THE INTERNATIONAL MACROECONOMIC SCENARIO IN 2019[1]

In 2019, the world economic growth continued to be low, due to the aftermaths of some important developments occurred in 2018, such as the strong increase in trade tensions, the four interest rate increases (along with quantitative tightening) made by the Fed, higher uncertainties about Brexit and the difficulties experienced by various emerging countries.

Monetary policy stepped in to support growth, the Fed and the ECB amended their forward guidance and financial conditions became less tight in the USA and more expansionary in the EMU.

In the last months of the year, signs of **stabilization in the global economy** increased. In the third quarter the economic growth was the same as in the second quarter both in the USA and in the EMU, while the Chinese economy, albeit slowing down, continued to grow at rates close to +6%.

The **resumption of the USA-China trade talks** eased world tensions. Despite the signing of a trade deal was postponed many times, stock market indices bet on solution allowing uncertainty to be partially lifted and supporting the world economic cycle. In Europe, the fact that the USA did not decide to increase tariffs on imported cars and spare parts contributed to improve business confidence.

Frictions have remained involving also other countries and have contributed to keeping **world trade growth relatively low**. At the end of 2019, growth was essentially in stagnation, up by +0.2[2]% vs. 2018.

Overall, the **Gross World Product grew at a slower pace vs. the previous year** (+3.0% vs. +3.7% in 2018) and monetary policies continued to support domestic demand.

Monetary policies

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

- After increasing interest rates 4 times in a row in 2018, the **Fed** cut them 3 times in 2019, in July, September and October, by 0.25 points each time, thus setting the Fed Funds rates between 1.5% and 1.75%, giving, among others, the reason that "business fixed investments and exports remain weak";
- The **European Central Bank**, at its Governing Council meeting of September 2019, decided to cut the interest rate on the deposit facility from -0.40% to -0.50%, and to keep unchanged the interest rate on the main refinancing operations at 0.00% and the rate on the marginal lending facility at 0.25%. Furthermore, it decided to restart its Quantitative Easing programme, effective as of 1 November 2019, with monthly purchases of Euro 20 billion. No end date was given to the asset purchases, as they are expected "to run for as long as necessary to reinforce the accommodative impact of our policy rates". The ECB states its intention to continue reinvesting, in full, the principal payments from maturing securities purchased under the Asset Purchase Programme (APP) "for an extended period of time past the date when we start raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation".

1 Source: Prometeia, Forecast Report (December 2019).
2 Source: Prometeia – Brief, Italy in the global economy (February 2020).

The ECB also decided to change the modalities of the new series of quarterly targeted longer-term refinancing operations (TLTRO III), in order "to preserve favourable bank lending conditions, ensure the smooth transmission of monetary policy and further support the accommodative stance of monetary policy". Finally, it was decided to introduce a two-tier system for reserve remuneration in which part of banks' holdings of excess liquidity will be exempt from the negative deposit facility rate.

At its meeting held in December 2019, the Governing Council of the European Central Bank decided to keep unchanged the interest rate on the main refinancing operations, confirming also its forward guidance and the asset purchase pace within its Quantitative Easing programme. President Christine Lagarde stated that "the Governing Council reiterated the need for monetary policy to remain highly accommodative for a prolonged period of time to support underlying inflation pressures and headline inflation developments over the medium term".

- At its meeting of November 2019, the **Bank of England** decided to keep interest rates unchanged at 0.75%. The cost of money was last changed on 2 August 2018, when the Central Bank had increased its rates by 0.25 points. The Monetary Policy Committee also decided to confirm its Quantitative Easing programme worth GBP 435 billion and the purchases of corporate bonds for GBP 10 billion.

Main economies

The different geographical areas showed different growth rates:

- In 2019, the **United States** GDP grew by +2.3% slowing down vs. +2.9% in 2018, affected by the difficulties in the manufacturing sector. In summer, industrial output decreased and it grew at a slower pace also in the last part of the year. Despite those difficulties, total employment continued to increase by approximately +1%, at a slower pace than in 2018 (+1.9% as the year average). As regards trade, protectionist policies and the subsequent increase in tariffs caused imports to grow at a slower pace. Exports also decreased, due to the weakness in world trade and retorsion measures implemented by the USA trade partners.
- **Japan** GDP grew by +0.8%2 unchanged vs. 2018. The entry into force of trade deals with the USA could not offset the ongoing uncertainty about the possible outcome of the USA-China trade war. The slower growth of the Chinese economy was a weakness factor for Japanese exporters and, should this continue, forward-looking investments cannot but be lower. The severe economic weakness prompted the Japanese Government to approve a fiscal package of USD 125 billion to support the economy. Two thirds of this package is intended for reconstruction of the areas that were destroyed by the recent typhoons and to ensure soft tapering of state and infrastructural investments at the end of the Olympic Games period. The other third is intended for measures aimed at preventing consumption collapse;
- The **Chinese** economy grew by +6.2% vs. +6.6% in 2018. Negotiations to reach a solution to the trade war with the USA continued in a hiccup mode, penalizing both exports and investments. The amount of new loans given by the banking system, which has been very low for two years, is evidence of little willingness to invest. Due to the political factors that added to the USA-China tensions as regards Hong Kong, reaching any wider deal in the short term has become even more difficult;
- **India**: Its annual GDP grew by +5.6% at a slower pace vs. +7.3% of 2018. Foreign trade decreased in terms of both exports and imports, substantiating the weakness in international domestic demand and, especially, in its domestic demand. The manufacturing sector reported lower outputs in nearly all countries, with considerable problems especially for Indian one. The financial sector problems are heavily affecting investments and consumer credit, despite the many measures implemented by the Central Bank easing its policy rates to support growth;
- **Brazil** GDP grew at the modest rate, up by +1.1% vs. +1.3% in 2018. The difficulties experienced by its main trade partners, Argentina and China, along with the weakness in world trade as a whole, led to weaker exports. Progressively lower inflation drove consumption and allowed the Central Bank to set its policy rates at 5%. Household and business confidence, as well as the Purchasing Managers' Index (PMI), considerably improved after the approval of the pension reform in the summer;
- **Russia's** economic growth slowed down: The GDP grew by +1.1% vs. +2.3% in 2018. The labour market conditions are not good, with unemployment going up. Inflation below the target set by the Central Bank has created room for keeping an expansionary monetary policy and higher lending to support both consumption and investments.
- The GDP of the **United Kingdom** grew by +1.3%, essentially in line with 2018 (+1.4%). Investment decisions of households and especially of businesses were affected by Brexit unknowns, with its date being postponed several times in 2019 and finally set only with the elections in December 2019. The fiscal policy remained

expansionary and public expenditure considerably increased in the second part of the year to support growth. The unemployment rate continued to show a downward trend.

EURO AREA

In the Euro Area uncertainty continued and the GDP grew by +1.2% in 2019 vs. +1.9% in the previous year. The GDP slowdown was caused by international tensions linked to threatened tariffs and trade wars, the slower growth in the Chinese economy and Brexit uncertainties. The ongoing weakness in international trade continued to affect the manufacturing sector of the Euro Area, hampering investment growth. However, some signs appeared, albeit modest, that the slowdown started in 2018 had bottomed out. The manufacturing sector still experienced difficulties, but, in some countries, it grew at higher rates.

In the last part of the year, the confidence of economic players in the main European countries showed some favourable signs, after the material setbacks in September and October. The aggregate confidence indicator for Europe showed some modest improvement and, more specifically, Germany expectations showed some signs of U-turn. Conversely, consumer confidence showed some favourable sign in few countries only.

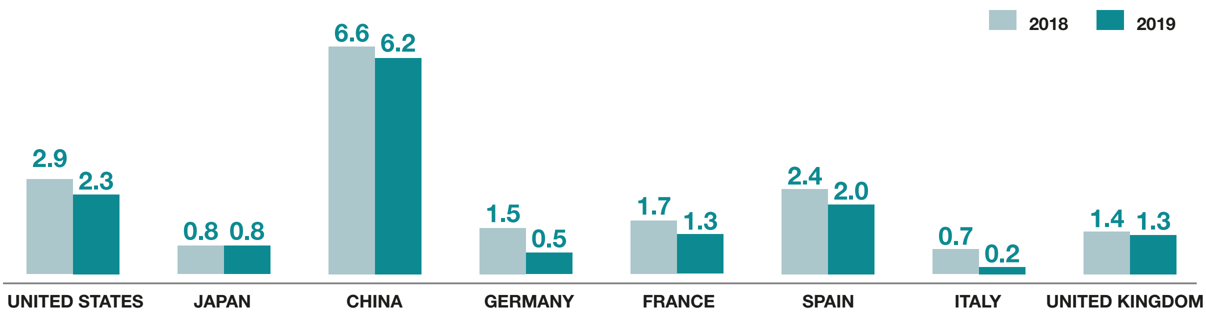
Despite the slowdown in European economies, the employment rate continued to grow, albeit at a slower pace, and unemployment remained very low.

Germany is one of the countries that were most impacted by this economic situation. The German economy strongly relies on exports and, therefore, was affected by the USA-China trade war, by the uncertainties about Brexit and by the slowdown in the automotive industry caused by the new legislation on emissions and by the switch to electric vehicles. Its GDP grew at a modest pace by **+0.5%**, vs. +1.5% in 2018, thanks to private consumption remaining stable.

In **France**, economic growth continued, with the GDP up by **+1.3%**, vs. +1.7% in 2018. Domestic demand continued to be the most effective driver of the economy, with growing consumption and investments. The manufacturing sector was again weak, while the service sector continued to grow.

Spain's GDP slowed down to a lesser extent, growing by +2.0% vs. +2.4% in 2018 and keeping a favourable difference from the other countries. As the other economies relying on exports, also Spain was impacted by the slowdown in world trade and in the manufacturing sector, but it has limited exposure to the automotive industry. In the last months of the year, volatility of demand components increased.

GDP: % YOY change



Source: Prometeia, Forecast Report (December 2019) and Prometeia Brief – Italy in the global economy (February 2020).

THE ITALIAN ECONOMY

After a +0.7% growth in its 2018 GDP, in 2019 the Italian economy recorded the **GDP up by +0.2%**. This slowdown, which was partly shared also by the major economies in the Euro Area, was due to the global uncertainty resulting from the USA-China trade war and from the outlook of the European automotive industry. This situation was made worse by the confidence crisis, affecting Italy only, that emerged in mid-2018 due to the uncertain steering by the Government of its economic policy, as the Government struggled subsequent to the results of March 2019 elections, with this uncertainty partially eliminated when the new cabinet took office in August 2019.

Only the building sector grew at relatively constant paces, albeit slower in the last part of the year.

This reflected **demand recomposition** from exports and investments in capital goods, which had driven recovery in the 2015-2017 three-year period, to investments in buildings, which grew by +2.8%2 in 2019 vs, +2.5% in 2018. Slower growth affected Italian exports especially to EU countries, mainly Spain and Germany. The difficulties experienced in the Euro Area were only partially offset by more robust growth in the United Kingdom and in the USA.

Household spending was also impacted by the uncertainty sentiment. Consumption grew at a modest rate by +0.5%2 vs. +0.8% in 2018, despite constant growth in disposable income, because of a cautious approach to consumption resulting in higher propensity to save.

In October 2019, **Standard & Poor's** left its rating of the Italian sovereign debt unchanged at BBB with a negative outlook, which was confirmed also by Fitch in early August. In its note, the rating agency stated that it deemed "the government's fiscal targets widely credible", however, the weak real and nominal growth remains the main medium-term risk for Italy's creditworthiness and for its fiscal path. In September 2019, Moody's decided to hold its rating on Italy, currently Baa3 with stable outlook, until May 2020.

In the first part of the year, **consumer confidence**[3] continued to decrease, slightly recovering in the summer months, after going down for over one year. However, in the last part of the year, political risk, in terms of the Italian government's stability, and worries for the labour market outlook took yet another toll, after months of economic stagnation.

The **Business Confidence Composite Index** also was affected the economic stagnation case, especially the manufacturing sector slowed down in the year. Retailers' confidence stabilized, as to both business in general and orders. Confidence stabilized also in the service sector, which, after slowing down, albeit to a modest extent, in the first part of the year, showed favourable signs, especially as regards expectations.

Investments slowed down, growing by **+1.9%**2 vs. +3.0% in 2018. That slowdown was due to progressive tapering of the positive effect generated by fiscal incentives and to the increase in political uncertainty in the summer, which resulted in a new cabinet taking office in September.

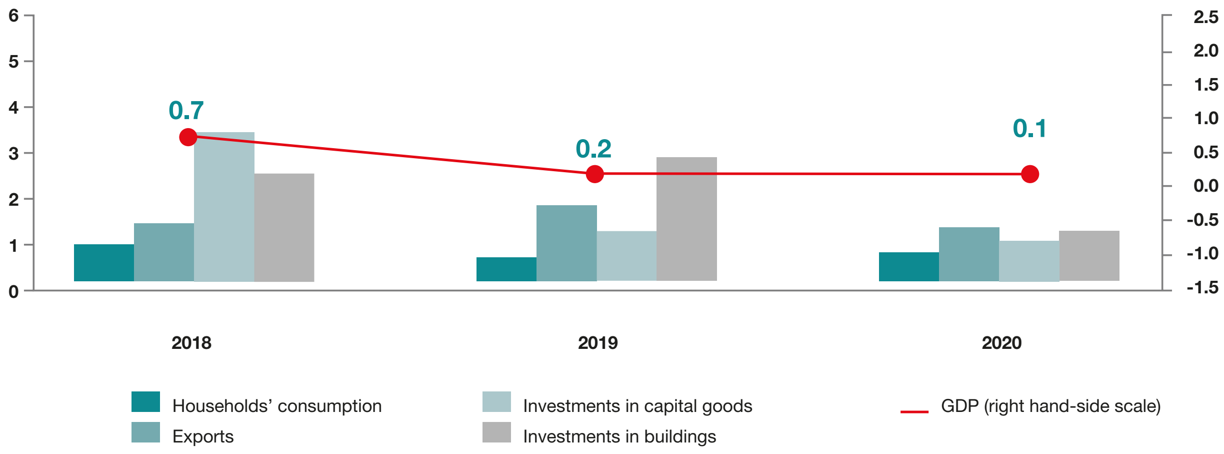
The annual **industrial output** decreased by -5.5%; in terms of trends[4] the related indexes reported a marked decrease for consumer goods and intermediate goods; less marked decreases were reported for energy and capital goods.

The **unemployment rate**[5] decreased: in December 2019 it came to 9.8% (vs. 10.4% in 2018), with youth unemployment at 28.9%; the number of employed persons increased (employment rate at 59.2% vs. 58.7% in 2018); the number of persons Not in Education, Employment or Training (NEET) slightly decreased (rate at 34.2% vs. 34.4% in 2018).

3 Source: ISTAT (the Italian National Institute of Statistics), Flash press release on Consumer and Business Confidence (December 2019)
4 Source: ISTAT (the Italian National Institute of Statistics), Flash press release on Industrial Output (February 2020)
5 Source: ISTAT (the Italian National Institute of Statistics), press release on Employed and Unemployed Persons (January 2020)

In 2019, **consumer prices**[6] grew on average by +0.6%, i.e. by half vs. their growth rate in 2018. “Core inflation”, net of energy and fresh food products, came to +0.5% (down from +0.7% in the previous year) giving further evidence of the inflation weakness that went on for the entire 2019.

Italy: GDP and its components



Source: Prometeia – Brief, Italy in the global economy (February 2020).

THE BANKING SYSTEM

As a whole, the banking system is stronger than in the past, despite some institutions being still weak.

In a scenario of modest growth in revenues, **the reduction of operating costs and of the cost of credit**, by controlling credit quality with subsequent lower extraordinary writedowns to be made for the disposal of non-performing loans, **is the most material driver for ensuring profitability**.

Traditional profitability is affected by both interest rates that continue to be negative and by the difficult recovery in lending, especially as regards businesses, and by still very low unit margins, despite effective control on the costs of funding, thanks also to the liquidity obtained from TLTROs. Italian banks continued to reduce their stocks of NPLs and bonds compliant with the regulatory requirements were issued more frequently.

Italian bank share prices were stable in the first half of 2019. Subsequent to the Government crisis in early August, the BTP-Bund spread increased by over 40bps in just two days (to 241bps), causing a negative impact on bank share prices. Later, bank share prices recovered, thanks to the strategy announced by the new government envisaging a policy in coordination with Italy’s EU partners, which led to a considerable decrease in the spread.

Capitalization proved well above regulatory and supervisory minimum requirements. In December 2019, the ECB informed the main Italian banks of the outcomes of Supervisory Review and Evaluation Process (SREP) carried out in 2019, setting the minimum requirements for 2020, and several banks have already been assessed as “virtuous” and able to exceed the set minimum capital requirements.

In 2019, there were several developments in the **legislation and regulatory scope**, specifically:

- **The entry into force of IFRS 16**, replacing IAS17 as the standard governing recognition of leases, with impacts on financial leases, rental, hire and loan agreements. The new standard requires all leases to be recognized by the lessee in the balance sheet as assets and liabilities. It requires also a different method to recognize costs: the related liabilities shall be recognized both with the depreciation on the ‘right-of-use’ asset”, and as interest expenses on the amount due;

6 Source: ISTAT (the Italian National Institute of Statistics), Flash press release on Consumer Prices (January 2020).

- The Single Resolution Board (SRB) published the second part of its **policy on minimum requirement for own funds and eligible liabilities (MREL)**. The SRB intends to increase MREL quantity and quality, implementing new principles, such as rules on eligible instruments for MREL consolidated targets, stricter binding subordination requirements and new binding MREL targets at individual level. These measures aim at strengthening "banks' resolvability" within the Banking Union and at preparing banks to face and comply with future legislation;
- In March 2019, the European Commission approved the third extension to the Italian aid-free State guarantee scheme for NPL securitisations (GACS), intended to foster securitisation of non-performing loans, which was initially approved in February 2016 and had already been extended in August 2018. Between February 2016 and November 2018, the scheme was used as many as 17 times, with non-performing loans written off by the Italian banking system for a gross amount of Euro 51 billion, equal to almost two thirds of the total decrease in non-performing loans in Italy in the same period.
- In June 2019, the European Parliament approved the final versions of CRR II, CRD V, BRRD II and SRMR II, which together are the so-called "**Basel IV**" new regulatory framework. Specifically, in accordance with CRD V, SREP requirements may be complied with also with AT1 and Tier 2 instruments, in addition to Tier 1 instruments. This Directive shall be approved by the national Parliaments of the Member States within 2020 and, afterwards, the ECB Supervisory arm shall assess, on a case-by-case basis, whether AT1 and Tier 2 bonds may be counted as CET1. That new development may be expected to change banks' capital structure and, consequently, future issues of AT1 and T2 instruments;
- In June 2019, the Bank of Italy issued the new definition of default: pursuant to Article 178 of Regulation (EU) no. 575/2013, to EBA Guidelines 2016/07 and to Delegated Regulation (EU) 2018/171. The new regulatory definition, called "**New DoD**", lays down tighter standards and methods to classify positions as defaulted than those used up to now by Italian intermediaries, in order to harmonize the definition of default and the identification of conditions for unlikeliness to pay across financial institutions and jurisdictions in the EU Member States. Banks shall apply the new rules by 1 January 2021;
- Directive (EU) 2015/2366 of the European Parliament and of the Council, **PSD2**, became fully operational in September 2019, implementing several new material changes for electronic payment services. The Directive aims especially at harmonizing practices across the European Union and at making transactions safer and more secure with two-factor authentication to make electronic payments for online purchases;
- **Calendar provisioning**, which started in 2018 with the publication by the ECB of the Addendum to the ECB Guidance to banks on non-performing loans, continued and was strengthened in 2019 with the Supervisory Review and Evaluation Process (SREP) requirements for banks. The ECB expects banks to increase provisions up to 100% for secured NPEs over 7-years vintage count between 2024 and 2026 and for unsecured NPEs over 2-years vintage count between 2023 and 2025, in order to mitigate the risk of possible future non-performing loans. This mechanism is inevitably going to speed up disposals of non-performing loans in the market: indeed, considerable disposals of NPLs have been scheduled in the year, mainly consisting of UTP.

Italy's cooperative banking reform, aimed at ensuring cohesion between all the cooperative banks throughout Italy, led to the incorporation, in 2019, of two national cooperative banking groups. The Iccrea cooperative banking group, with 142 cooperative banks, and the Cassa Centrale Banca cooperative banking group, consisting of 80 local banks. Conversely, the Raiffesen regional cooperative banking network consisting of 39 banks opted for the Institutional Protection Scheme (IPS).

Again as regards the Italian banking industry, in early 2019 the ECB decided to place **Banca Carige** under temporary administration, after the failed attempt to increase its share capital by Euro 400 million and the following resignation of most members of the Board of Directors. In order to ensure financial stability and in compliance with the EU directives, the Italian Government passed state intervention measures.

In early December, **Banca Popolare di Bari**, which had long been ailing also because of its high stock of NPLs, was placed under special administration by the Bank of Italy. The Euro 1.4 billion capital shortfall will be covered in 2020, with a contribution given by the Italian Interbank Deposit Protection Fund of Euro 700 million at the most. The Italian Government rescued the southern lender with a decree law allocating Euro 900 million to Invitalia, the Italian National Agency for Inward Investment and Economic Development, 100% held by the Italian Ministry of the Economy, to finance Mediocredito Centrale (MCC) and enable it to buy a stake in Banca Popolare di Bari, so that the lender can be rescued, together with the Interbank Deposit Protection Fund and any other investors.

The volumes of non-performing loans on the balance sheets of Italian banks continued to decrease also in 2019: in the year, NPLs for a gross amount of Euro 35 billion were sold, thanks also the to the Italian aid-free State guarantee scheme for NPL securitisations (GACS).

In December 2019, net **bad loans**[7] came to Euro 27.5 billion, progressively decreasing by 13.7% vs. the previous year. The weight of net bad loans on total loans came to 1.61%, decreasing from 1.85% recorded at the end of 2018;

Loans to households and businesses slightly increased (up by +0.3%) vs. the previous year. Mortgage loans continued to increase (up by +2.4%), whereas loans to businesses decreased vs. the end of 2018 (down by -1.9%).

Interest rates on loans to customers at the end of 2019 continued to decrease: the average rate on total loans was 2.48%, reaching a new all-time low; the interest rate on new home loans was 1.47% (vs. 1.89 in 2018), while that on loans to businesses was 1.27% (vs. 1.47 in 2018).

In December 2019, **direct funding** (deposits from resident customers and bonds) showed an increase of +4.8% YOY. Medium-long funding component, consisting of bonds, remained stable vs. December 2018, whereas deposits increased by over Euro 83 billion vs. the previous year, with a +5.6% YOY increase.

The **yields** on **direct funding** continuously decreased: the average **interest rate** on funding was 0.58%, vs. 0.61% in 2018.

The **spread** between the average rate on loans to and the average rate on deposits from households and non-financial corporations has remained, in Italy, **at very low levels**; in December 2019 it came to 190 basis points progressively decreasing vs. December 2018 (194 basis points).

As regards the **asset management industry**[8], at the end of 2019 net total funding came to Euro 74 billion (55 of which from non-recurring transactions made in early 2019 by Poste Italiane on its institutional mandates). The assets under management in this industry totalled Euro 2,288 billion, the new all-time high.

The profitability of the banking system, in a scenario of low interest rates (December 2019 average 3M **Euribor** was -0.40%) was driven by non-recurring income, largely from reorganization of banking groups. Reorganization of banking groups included the two-step sale by Unicredit of shares in FinecoBank (approx. 17% in May and 18% in July), the sale of Profamily by Banco BPM and the finalization of the transfer to Credito Fondiario of the NPL platform (which was set up in December 2018). **Operating expenses** continued to decrease, subsequent to personnel reductions and thanks to savings on overhead costs in a phase where digitalization investments are more and more necessary, but still modest.

The Italian banking sector **profits** came to approximately Euro 12 billion, with higher taxes as some non-recurring elements no longer applied (tax credits recognized in 2018, subsequent to the first-time adoption of IFRS9).

PERFORMANCE OF OPERATIONS

In a macroeconomic scenario featuring sound economic fundamentals, in spite of some instability elements and an economic and regulatory situation still rather complex, the **Crédit Agricole Italia Banking Group** achieved **net income of Euro 314 million**, the highest ever in the Group's history, except for the net income figure as at 31 December 2017, which was impacted by the recognition of badwill regarding the acquisition of the three Savings Banks.

7 Source: ABI Monthly Outlook (February 2020).

8 Source: Assogestioni (the Italian National Association of Asset Management Firms), Asset Management Monthly Map (January 2020)

THE PERFORMANCE OF BALANCE SHEET AGGREGATES

Reclassification of the Balance Sheet

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

- Presentation of Financial Assets/Liabilities at fair value on a net basis;
- Presentation of Loans from/Loans to banks on a net basis;
- Inclusion of the value of hedging Derivatives and of the Value Adjustment of financial assets/liabilities subject to macro-hedging in the Other Assets/Other Liabilities items;
- Grouping of Intangible Assets and Property, Plant and Equipment into a single aggregate;
- Inclusion of the item "Cash and cash equivalents" in the "Other Assets" residual item;
- Grouping in the "Funding from customers" item of the "Loans to customers" and "Debt securities issued" items;
- Grouping of specific-purpose provisions (i.e. employee severance benefits and provisions for risks and charges) into a single aggregate.

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

Reclassified Consolidated Balance Sheet

Assets	31.12.2019	31.12.2018	Changes	
			Absolute	%
Net financial Assets/Liabilities measured at fair value	43,031	51,641	-8,610	-16.7
Financial assets measured at fair value through other comprehensive income	3,068,244	3,260,746	-192,502	-5.9
Loans to Customers	51,600,193	51,001,282	598,911	1.2
Equity investments	20,483	27,755	-7,272	-26.2
Property, plant and equipment and intangible assets	2,930,455	2,783,987	146,468	5.3
Tax assets	1,504,346	1,639,049	-134,703	-8.2
Other assets	1,662,032	1,374,475	287,557	20.9
Total assets	**60,828,784**	**60,138,935**	**689,849**	**1.1**

Liabilities	31.12.2019	31.12.2018	Changes	
			Absolute	%
Net loans to banks	1,360,306	2,492,554	-1,132,248	-45.4
Funding from Customers	49,710,264	48,159,170	1,551,094	3.2
Tax liabilities	275,107	264,790	10,317	3.9
Other liabilities	2,436,645	2,319,377	117,268	5.1
Specific-purpose provisions	459,410	524,334	-64,924	-12.4
Capital	979,233	962,672	16,561	1.7
Equity instruments	715,000	715,000	-	-
Reserves (net of treasury shares)	4,497,693	4,383,825	113,868	2.6
Valuation reserves	-62,199	-142,181	-79,982	-56.3
Equity attributable to minority interests	143,256	185,496	-42,240	-22.8
Net Profit (Loss) for the year	314,069	273,898	40,171	14.7
Total equity and net liabilities	**60,828,784**	**60,138,935**	**689,849**	**1.1**

Reconciliation of the official and reclassified balance sheets

Assets	31.12.2019	31.12.2018
Net financial Assets/Liabilities at fair value	**43,031**	**51,641**
20 a. Financial assets held for trading	97,400	97,425
20 c. Financial assets mandatorily measured at fair value	27,611	27,731
20. Financial liabilities held for trading	-81,980	-73,515
Financial assets measured at fair value through other comprehensive income	**3,068,244**	**3,260,746**
30. Financial assets measured at fair value through other comprehensive income	3,068,244	3,260,746
Loans to Customers	**51,600,193**	**51,001,282**
40 b. Loans to Customers	51,600,193	51,001,282
Equity investments	**20,483**	**27,755**
70. Equity investments	20,483	27,755
Property, plant and equipment and intangible assets	**2,930,455**	**2,783,987**
90. Property, Plant and Equipment	1,017,849	847,790
100. Intangible assets	1,912,606	1,936,197
Tax assets	**1,504,346**	**1,639,049**
110. Tax assets	1,504,346	1,639,049
Other assets	**1,662,032**	**1,374,475**
10. Cash and cash equivalents	370,059	295,958
130. Other assets	412,428	463,033
50. Hedging derivatives (Assets)	759,816	575,331
60. Fair value change of financial assets in macro-hedge portfolios	119,729	40,153
Total assets	**60,828,784**	**60,138,935**

Liabilities	31.12.2019	31.12.2018
Net loans to banks	**1,360,306**	**2,492,554**
40 a. Loans from banks	-4,743,595	-3,537,099
10 a. Loans to banks	6,105,259	6,029,653
To deduct: Lease liabilities	-1,358	
Funding from Customers	**49,710,264**	**48,159,170**
10 b) Loans to Customers	40,795,173	39,698,913
To deduct: Lease liabilities	-187,499	
10 c) Debt securities issued	9,102,590	8,460,257
Tax liabilities	**275,107**	**264,790**
60. Tax liabilities	275,107	264,790
Other liabilities	**2,436,645**	**2,319,377**
10 a. Loans to banks: of which lease liabilities	1,358	
10 b. Loans to customers: of which lease liabilities	187,499	
40. Hedging derivatives (Liabilities)	509,730	564,549
50. Fair value change of financial liabilities in macro-hedge portfolios	421,173	361,962
80. Other liabilities	1,316,885	1,392,866
Specific-purpose provisions	**459,410**	**524,334**
90. Employee severance benefits	123,894	135,722
100. Provisions for risks and charges	335,516	388,612
Capital	**979,233**	**962,672**
170. Capital	979,233	962,672
Capital/equity instruments	**715,000**	**715,000**
140. Equity instruments	715,000	715,000
Reserves (net of treasury shares)	**4,497,693**	**4,383,825**
150. Reserves	1,379,853	1,266,117
160. Share premium reserve	3,117,840	3,117,708
Valuation reserves	**-62,199**	**-142,181**
120. Valuation reserves	-62,199	-142,181
Minority interests	**143,256**	**185,496**
190. Minority interests	143,256	185,496
Profit (Loss) for the year	**314,069**	**273,898**
200. Net profit (loss) for the year	314,069	273,898
Total liabilities and equity	**60,828,784**	**60,138,935**

Balance sheet aggregates

In 2019, the Crédit Agricole Italia Banking Group strengthened its ability to attract investors' savings and to support the real economy, while keeping the correct balance between funding and uses, as substantiated by the increase in intermediated assets and with asset quality improving at the same time.

Loans to Customers

Items	31.12.2019	31.12.2018	Changes	
			Absolute	%
- Current accounts	2,431,718	2,739,740	-308,022	-11.2
- Mortgage loans	28,838,102	28,110,213	727,889	2.6
- Advances and credit facilities	13,769,973	13,415,567	354,406	2.6
- Non-performing loans	1,646,613	1,750,204	-103,591	-5.9
Loans to Customers	**46,686,406**	**46,015,724**	**670,682**	**1.5**
Securities measured at amortized cost	4,913,787	4,985,559	-71,772	-1.4
Total Loans to Customers	**51,600,193**	**51,001,282**	**598,911**	**1.2**

Net loans to customers came to Euro 46.7 billion, increasing by Euro 0.7 billion YOY (up by +1.5%). The growth in this aggregate resulted mainly from the increase in mortgage loans (up by Euro +0.7 billion, i.e. +2.8%), driven by new home loans to households (over Euro 3 billion). The other loan components (current accounts, advances and credit facilities) were overall stable vs. the previous year, whereas non-performing loans decreased (down by -5.9%), thanks to the lower Inflows from a performing status to a non-performing status (down by -27%) and subsequent to disposals for a net amount of approximately Euro 55 million.

Credit quality

Items	31.12.2019			31.12.2018		
	Gross exposure	Total adjustments	Gross exposure	Gross exposure	Total adjustments	Gross exposure
- Bad loans	1,859,129	1,256,758	602,371	2,003,316	1,370,074	633,242
- Unlikely to Pay	1,583,992	566,769	1,017,223	1,635,482	556,568	1,078,914
- Past-due/overlimit loans	30,495	3,475	27,020	42,616	4,568	38,048
Non-performing loans	**3,473,616**	**1,827,002**	**1,646,614**	**3,681,414**	**1,931,210**	**1,750,204**
Performing loans – stage 2	2,774,753	159,490	2,615,263	3,034,482	195,683	2,838,799
Performing loans – stage 1	42,502,049	77,520	42,424,529	41,506,229	79,509	41,426,720
Performing loans	**45,276,802**	**237,010**	**45,039,792**	**44,540,711**	**275,192**	**44,265,519**
Loans to Customers	**48,750,418**	**2,064,012**	**46,686,406**	**48,222,125**	**2,206,402**	**46,015,723**
Securities measured at amortized cost	4,919,636	5,849	4,913,787	4,990,406	4,847	4,985,559
Total Loans to Customers	**53,670,054**	**2,069,861**	**51,600,193**	**53,212,531**	**2,211,249**	**51,001,282**

Items	31.12.2019			31.12.2018		
	Gross/total exposure	Net/total exposure	Coverage ratio	Gross exposure weight	Net/total exposure	Coverage ratio
- Bad loans	3.8%	1.3%	67.6%	4.2%	1.4%	68.4%
- Unlikely to Pay	3.2%	2.2%	35.8%	3.4%	2.3%	34.0%
- Past-due/overlimit loans	0.1%	0.1%	11.4%	0.1%	0.1%	10.7%
Non-performing loans	**7.1%**	**3.5%**	**52.6%**	**7.6%**	**3.8%**	**52.5%**
Performing loans – stage 2	5.7%	5.6%	5.7%	6.3%	6.2%	6.4%
Performing loans – stage 1	87.2%	90.9%	0.2%	86.1%	90.0%	0.2%
Performing loans	92.9%	96.5%	0.5%	92.4%	96.2%	0.6%
Total	**100.0%**	**100.0%**	**4.2%**	**100.0%**	**100.0%**	**4.6%**

The development in loans to customers was achieved with constant and close attention to credit quality (the default rate decreased to 1% from 1.5% of December 2018); the weight of non-performing loans on total loans to customers decreased to 7.1% from 7.6% of the previous year. Net of provisions, the weight of net non-performing loans in total net loans was 3.5% vs. 3.8% of the previous year. The coverage ratio, i.e. the ratio of total adjustments to the amount of gross non-performing loans, was stable and at absolutely conservative levels (at 52.6%). In the reporting year, transactions were finalized for the disposal of non-performing loans for a gross amount of approximately Euro 176 million (of which Euro 117 million worth of unsecured bad loans) with limited impact on profit and loss.

At the end of 2019, the bad loans coverage ratio was 67.6% and the Unlikely to Pay one was 35.8% (increasing vs. 34% as at the end of 2018).

Funding from Customers

Items	31.12.2019	31.12.2018	Changes	
			Absolute	%
- Deposits	1,687,289	2,238,444	-551,155	-24.6
- Current and other accounts	38,635,246	37,224,843	1,410,403	3.8
- Other items	285,139	234,493	50,646	21.6
- Repurchase agreements	-	1,135	-1,135	
Loans to Customers	**40,607,674**	**39,698,915**	**908,759**	**2.3**
Debt securities issued	**9,102,590**	**8,460,255**	**642,335**	**7.6**
Total direct funding	**49,710,264**	**48,159,170**	**1,551,094**	**3.2**
Indirect funding	**71,294,531**	**63,477,921**	**7,816,610**	**12.3**
Total funding	**121,004,795**	**111,637,091**	**9,367,704**	**8.4**

As at 31 December 2019, total funding (direct and indirect funding) came to Euro 121 billion (up by +8.4%).

Direct funding came to Euro 50 billion, increasing by 3.2% vs. 2018. Compared with 31 December 2018, the Due to Customers component (mostly consisting of current accounts and deposits) increased by over Euro 900 million (up by +2.3%) and Securities issued (mostly consisting of bonds issued) increased by Euro 642 million (up by +7.6%). The latter aggregate reports the new bond issues reserved for institutional investors. In 2019, Covered Bonds for Euro 750 million and Senior Non-Preferred Debt Instruments for Euro 440 million were issued, which ensured further improvement in the Group's capital and liquidity ratios and largely offset the debenture loans held by Retail customers.

In early 2020, taking advantage also of the favourable market conditions, the Crédit Agricole Italia Group issued a new dual-tranche Covered Bond, with maturities of 8 and 25 years, for a total value of Euro 1.25 billion. It was the first Italian issued of Covered Bonds in 2020 and gave evidence of one of the highest demands for Covered Bonds in the Italian market, with one the smallest spreads in recent times.

Indirect funding

Items	31.12.2019	31.12.2018	Changes	
			Absolute	%
- Asset management products	17,316,598	15,587,669	1,728,929	11.1
- Insurance products	20,682,863	18,778,543	1,904,320	10.1
Total assets under management	**37,999,461**	**34,366,212**	**3,633,249**	**10.6**
Assets under administration	**33,295,070**	**29,111,709**	**4,183,361**	**14.4**
Indirect funding	**71,294,531**	**63,477,921**	**7,816,610**	**12.3**

Indirect funding came to Euro 71.3 billion, increasing by Euro 7.8 billion (up by + 12.3% vs. 31 December 2018).

Specifically, the asset management component came to Euro 38 billion, increasing by Euro 3.6 billion evenly divided between the insurance component and the fund and management component; assets under administration came to Euro 33.3 billion vs. Euro 29.1 billion in the previous year (up by +14.4%).

Net interbank position

As at 31 December 2019, the net interbank position showed debt totalling Euro 1.4 billion and comprised Due to Central Banks amounting to Euro 4.0 billion for TLTRO II loans taken out in 2016 and 2017 with four-year maturity.

Financial assets and liabilities measured at fair value

Items	31.12.2019	31.12.2018	Changes	
			Absolute	%
Financial assets and liabilities measured at fair value through profit or loss				
- Debt securities	93	89	4	4.5
- Equity securities of collective investment undertakings	51,536	52,948	-1,412	-2.7
- Loans	-	6,439	-6,439	
- Financial derivatives with positive FV	73,381	65,680	7,701	11.7
Total assets	**125,010**	**125,156**	**-146**	**-0.1**
- Financial derivatives with negative FV	81,980	73,515	8,465	11.5
Total liabilities	**81,980**	**73,515**	**8,465**	**11.5**
Net Total	**43,030**	**51,641**	**-8,611**	**-16.7**
Financial assets measured at fair value through other comprehensive income				
- Debt securities	2,821,007	3,013,043	-192,036	-6.4
- Equity securities	247,237	247,704	-467	-0.2
- Loans	-	-		
Total	**3,068,244**	**3,260,747**	**-192,503**	**-5.9**

As at 31 December 2019, "Financial assets measured at fair value through other comprehensive income" amounted to Euro 3.1 billion and mostly consisted of Italian Government bonds.

The balance is lower by Euro 193 million than the balance as at 31 December 2018 and reports the repayments, disposals and recovery in prices occurred in the second part of the year.

Government securities held

	31.12.2019		
	Nominal value	Book value	Revaluation reserve
Financial assets held for trading			
Italian Government securities	11	15	X
Argentinian Government securities	47	-	X
Financial assets measured at fair value through other comprehensive income			
Italian Government securities	2,500,000	2,821,007	6,086
Financial assets measured at amortized cost			
Italian Government securities	4,428,000	4,744,059	X
Total	**6,928,058**	**7,565,081**	**6,086**

Among Financial Assets measured at amortized cost, government securities were recognized amounting to Euro 4.7 billion: this allocation is consistent with the management approach adopted by the Crédit Agricole Italia Banking Group to invest liquidity, which, in compliance with the current monetary policies of the ECB, gives preference to High Quality Liquidity Assets, thus optimizing their contribution to net interest income and generating positive impacts on liquidity ratios.

Property, plant and equipment and intangible assets

As at 31 December 2019, property, plant and equipment and intangible assets came to Euro 2.9 million, increasing by Euro 146 million (+5%) vs. 2018. This aggregate reports Euro 183.0 million worth of assets recognized subsequent to the adoption of the new IFRS 16, which applies to reporting periods starting on or after 1 January 2019 replacing IAS 17 and, therefore, impacts on the recognition of lease, rental, hire and loan agreements, because it provides for a new definition based on the transfer of the "right of use" of the leased, rented or hired asset. The new standard requires all leases to be recognized by the lessee in the Balance Sheet as assets and liabilities.

Specific-purpose provisions

Items	31.12.2019	31.12.2018	Changes	
			Absolute	%
Employee severance benefits	123,895	135,720	-11,825	-8.7
Provisions for risks and charges	335,515	388,614	-53,099	-13.7
a) commitments and guarantees given	33,657	37,253	-3,596	-9.7
b) post-employment and similar obligations	37,325	38,273	-948	-2.5
c) other provisions for risks and charges	264,533	313,088	-48,555	-15.5
Total specific-purpose provisions	**459,410**	**524,334**	**-64,924**	**-12.4**

Specific-purpose provisions came to Euro 459 million, decreasing by Euro 65 million (down by -12%) vs. 2018. This aggregate consists of Euro 124 million worth of provisions for Employee severance benefits and of Euro 336 million worth of provisions for risks and charges (personnel expenses, operational risks and legal disputes, misselling and other risks in business with Customers).

Equity

Items	31.12.2019	31.12.2018	Changes	
			Absolute	%
Share capital	979,233	962,672	16,561	1.7
Share premium reserve	3,117,840	3,117,708	132	
Reserves	1,379,853	1,266,117	113,736	9.0
Equity instruments	715,000	715,000	-	
Valuation reserves for financial assets through other comprehensive income	- 11,790	- 94,806	- 83,016	-87.6
Valuation reserves for actuarial gains (losses) relating to defined-benefit pension plans	- 50,409	- 47,375	3,034	6.4
Treasury shares	-	-	-	
Net profit for the year	314,069	273,898	40,171	14.7
Total (book) equity	**6,443,796**	**6,193,214**	**250,582**	**4.0**

Equity attributable to the Parent Company, net of earnings for the period, came to Euro 6.1 billion, increasing by Euro 210 million vs. 31 December 2018, mainly due to retained earnings allocated to reserves.

The change in share capital reports the share capital increase of approximately Euro 17 million intended for Fondazione Carispezia within the merger by absorption of Crédit Agricole Carispezia.

The “Capital instruments” item reports the amount of the Additional Tier 1 (AT1) subordinated instruments issued.

The reserves for valuation of financial assets report the positive impact generated by the valuation of Government securities held among financial assets through other comprehensive income.

The Parent Company Crédit Agricole Italia does not hold treasury shares. No company of the Group holds shares in the Parent Company. The treasury shares held by the companied consolidated on a line-item basis and recognized under the “Treasury shares” item in the separate financial statements, as at 31 December 2019 were reclassified under the “Reserves” item in the consolidated financial statements.

Own Funds and capital ratios

Categories/Values	31.12.2019	31.12.2018
A. Common Equity Tier 1 – CET1 prior to the application of prudential filters	5,837,992	5,471,508
of which CET1 instruments subject to transitional arrangements	-	-
B. CET1(+/-) prudential filters	-8,148	-8,434
C. CET1 including elements to be deducted and the effects of the transitional regime (A+/-B)	**5,829,844**	**5,463,073**
D. Elements to be deducted from CET1	**2,267,652**	**2,346,949**
E. Transitional regime – Impact on CET1 (+/-), including minority interests subject to transitional arrangements	**-**	**-**
F. Total Common Equity Tier 1 – CET1 (C-D+/-E)	**3,562,191**	**3,116,124**
G. Additional Tier 1 – AT1 including elements to be deducted and the effects of the transitional regime	**726,323**	**732,220**
of which AT1 instruments subject to transitional arrangements	-	-
H. Elements to be deducted from AT1	**-**	**-**
I. Transitional regime – Impact on AT1 (+/-), including instruments issued by subsidiaries/ associates and included in AT1 under transitional arrangements	**-**	**-**
L. Total Additional Tier 1 – AT1 (G-H+/-I)	**726,323**	**732,220**
M. Tier 2 – T2 including elements to be deducted and the effects of the transitional regime	**873,394**	**831,137**
of which T2 instruments subject to transitional arrangements	2,588	5,511
N. Elements to be deducted from T2	**-**	**-**
O. Transitional regime – Impact on T2 (+/-), including instruments issued by subsidiaries/ associates and included in T2 under transitional arrangements	**-**	**-**
P. Total Tier 2 -T2 (M-N+/-O)	**873,394**	**831,137**
Q. Total own funds (F+L+P)	**5,161,908**	**4,679,481**

Categories/Values	Non-weighted amounts		Weighted amounts/requirements	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
A. RISK ASSETS				
A.1 Credit and counterparty risks	66,734,385	64,537,225	25,286,385	24,579,800
1. Standardized Approach	42,745,741	41,335,323	20,874,960	20,557,019
2. IRB approach	23,988,644	23,201,902	4,411,425	4,022,781
2.1 Foundation	-	-	-	-
2.2 Advanced	23,988,644	23,201,902	4,411,425	4,022,781
3. Asset-backed securities	-	-	-	-
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risks			2,022,911	1,966,384
B.2 Risk of value adjustments of loans			5,863	6,201
B.3 Regulatory risk			-	-
B.2 Market risks			**8,159**	**8,336**
1. Standardized Approach			8,159	8,336
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational risk			**247,079**	**246,451**
1. Basic indicator approach			5,758	5,885
2. Standardized approach			241,321	240,566
3. Advanced approach			-	-
B.5 Other measurement elements			-	-
B.6 Total prudential requirements			2,284,012	2,227,372
C. EXPOSURES AND CAPITAL ADEQUACY RATIOS				
C.1 Risk-weighted assets			28,550,146	27,842,151
C.2 Common Equity Tier 1/Risk-weighted assets (CET 1 capital ratio)			12.5%	11.2%
C.3 Tier 1/Risk-weighted assets (Tier 1 capital ratio)			15.0%	13.8%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			18.1%	16.8%

As at 31 December 2019, Common Equity Tier 1 came to Euro 3,562 million, increasing vs. the figure for the previous year (up by Euro 446 million). This higher figure essentially reports the increases in the related equity items, in particular, it implements the effects of the Recommendation issued by the ECB on 27 March 2020 not to proceed with the distribution of profits during the Covid-19 pandemic (ECB-2020/1) as proposed by the Board of Directors at the Shareholders' Meeting, retained earnings allocated to reserve for Euro +144 million, higher reserves for assets measured at fair value through other comprehensive income for Euro +87 million and the share capital increase of Euro 17 million made within the merger by absorption of Crédit Agricole Carispezia into Crédit Agricole Italia. Furthermore, a positive effect resulted from lower deduction on deferred tax assets based on future profitability for Euro +55 million and lower minority interests included in CET1 by Euro -37 million, mainly referring to the merger by absorption of Crédit Agricole Carispezia.

In the reporting period no Additional Tier 1 subordinated instruments were issued, while a Tier 2 subordinated instrument was issued for Euro 80 million.

The Crédit Agricole Italia Banking Group decided not to apply the transitional arrangements provided for by Regulation (EU) 2017/2395 amending Regulation (EU) No 575/2013 (CRR) as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds inserting Article 473a "Introduction of IFRS 9".

Risk-weighted assets (RWA) came to Euro 28.6 billion, increasing by approximately Euro 0.7 billion vs. 31 December 2018; this increase mainly reflected the developments in loans to customers and the impacts from new prudential regulations (e.g. IFRS16, treatment of investment property).

Based on the above-reported developments, as at 31 December 2019 the CET1 ratio came to 12.5% (11.2% as at 31 December 2018), the Tier 1 ratio to 15.0% (13.8% as at 31 December 2018) and the Total Capital ratio at 18.1% (16.8% as at 31 December 2018).

Following the results of the supervisory review evaluation process (SREP), with a letter dated 14 February 2019, the European Central Bank communicated its decision on the minimum capital ratios that the Crédit Agricole Italia Group shall comply with, on a consolidated basis and continuously as of 1 March 2019: CET1 of 8.75% and Total Capital Ratio of 12,25%.

PROFIT OR LOSS

Income Statement reclassification

In order to represent performance more effectively, a summary income statement has been prepared with appropriate reclassifications and based on reporting criteria fit to report the various items on the basis of consistent operational standards.

The reclassifications concerned the following:

- Net Gains (Losses) on trading activities, Net Gains (Losses) on hedging activities and Net Gains (Losses) on financial assets and liabilities measured at fair value through profit or loss have been reported under Profit (Loss) from Banking Activities;
- Gains and losses on disposal or repurchase of securities classified as financial assets measured at amortized cost and measured at fair value through other comprehensive income and of financial liabilities have been reported under Profit (Loss) from banking activities;
- Expenses, taxes and levies recovered have been reported as a direct decrease in Administrative Expenses, rather than being recognized under Other operating income/expenses;
- Expenses for the management of non-performing loans and the relevant recoveries have been reclassified as Net Value Adjustments of Loans;
- Commission income for fast loan application processing has been taken to Commission Income rather than being recognized under Other operating income/expenses;
- The effect of the amortized cost of hedging of debt instruments has been reported under the “Net Interest Income” item rather than under “Profits (Losses) on Hedging Activities”;
- Net provisions for risks and charges regarding commitments and guarantees given have been reclassified under “Net value adjustments of loans”;
- Net value adjustments for credit risk of securities classified as financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income have been restated under the “Impairment of securities” item.

Reclassified income statement

	31.12.2019	31.12.2018	Changes	
			Absolute	%
Net interest income	1,009,639	990,512	19,127	1.9
Net fee and commission income	919,313	898,245	21,068	2.3
Dividends	11,368	12,614	-1,246	-9.9
Income from banking activities	9,501	34,705	-25,204	-72.6
Other operating income (expenses)	3,141	1,895	1,246	65.8
Net operating income	**1,952,962**	**1,937,971**	**14,991**	**0.8**
Personnel expenses	-727,755	-742,023	-14,268	-1.9
Administrative expenses	-336,379	-402,407	-66,028	-16.4
Depreciation of property, plant and equipment and amortization of intangible assets	-171,016	-129,014	42,002	32.6
Operating expenses	**-1,235,150**	**-1,273,444**	**-38,294**	**-3.0**
Operating margin	**717,812**	**664,527**	**53,285**	**8.0**
Impairment on goodwill	-	-	-	
Net provisioning for risks and charges	-8,877	18,786	-27,663	
Net impairments of loans	-239,384	-260,194	-20,810	-8.0
Impairment of securities	-2,140	-2,068	72	3.5
Profit (loss) on other investments	341	-181	522	
Profit (loss) on continuing operations before taxes	**467,752**	**420,870**	**46,882**	**11.1**
Taxes on income from continuing operations	-141,596	-128,817	12,779	9.9
Net profit (Loss) after tax from discontinued operations	-	-	-	
Net profit (loss)for the year	**326,156**	**292,053**	**34,103**	**11.7**
Net profit (loss) for the year attributable to minority interests	-12,087	-18,155	-6,068	-33.4
Net profit (loss) for the year attributable to the Parent Company	**314,069**	**273,898**	**40,171**	**14.7**

Reconciliation between the Official and the Reclassified Income Statements

	31.12.2019	31.12.2018
Net interest income	**1,009,639**	**990,512**
30. Net interest income	1,009,685	993,282
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	-1,316	-4,679
230. Calit IAS profit	1,270	1,909
Net fee and commission income	**919,313**	**898,245**
60. Net fee and commission income	912,766	891,547
200. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	6,547	6,698
Dividends and similar income = item 70	**11,368**	**12,614**
Net income from banking activities	**9,501**	**34,705**
80. Net profit (loss) on trading activities	15,147	10,711
90. Net profit (loss) on hedging activities	-10,121	-10,832
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	1,316	4,679
100. Profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	25	464
100. Profit (loss) on disposal or repurchase of:: b) financial assets measured at fair value through other comprehensive income	3,314	26,428
100. Profit (loss) on disposal or repurchase of: c) financial liabilities	-151	79
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	-29	3,176
Other operating income (expenses)	**3,141**	**1,895**
200. Other operating expenses/income	283,784	294,346
250. Gains (Losses) on equity investments of which Price Adjustment for disposal of equity investments	12,962	8,829
To deduct: expenses recovered	-280,635	-287,109
To deduct: recovered expenses for the management of non-performing loans	-5,153	-5,564
To deduct: Commission income from Fast Loan Application Processing	-6,547	-6,698
To deduct: Calit IAS profit	-1,270	-1,909
Net operating income	**1,952,962**	**1,937,971**
Personnel expenses = item 190 a)	**-727,755**	**-742,023**
Administrative expenses	**-336,379**	**-402,407**
190. Administrative expenses: b) other administrative expenses	-631,902	-713,563
230. Other operating expenses/income: of which expenses recovered	280,635	287,109
190. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	14,888	24,047
Depreciation of property, plant and equipment and amortization of intangible assets	**-171,016**	**-129,014**
210. Net adjustments of/recoveries on property, plant and equipment	-80,163	-44,266
220. Net adjustments of/recoveries on intangible assets	-90,853	-84,748
Operating expenses	**-1,235,150**	**-1,273,444**
Operating margin	**717,812**	**664,527**
Impairment on goodwill = item 270	-	-
Net provisioning for risks and charges = Item 200 b) other net provisioning	**-8,877**	**18,786**
Net impairments of loans	**-239,384**	**-260,194**
100. Profit (loss) on disposal or repurchase of: a) financial assets measured at amortized cost	-12,046	5,444
To deduct profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	-25	-464
130. Net adjustments for credit risk of: a) financial assets measured at amortized cost	-218,491	-251,366
To deduct: net adjustments for credit risk of: a) securities classified as financial assets measured at amortized cost	1,026	1,120
140. Profits/Losses on contract modifications without derecognition	-3,357	-1,037
190. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	-14,888	-24,047
To deduct: recovered expenses for the management of non-performing loans	5,153	5,564
200. Net provisioning for risks and charges: a) commitments and guarantees given	3,244	4,592
Impairment of securities	**-2,140**	**-2,068**
130. Net adjustments for credit risk of: a) securities classified as financial assets measured at amortized cost	-1,026	-1,120
130. Net adjustments for credit risk of:: b) financial assets measured at fair value through other comprehensive income	-1,114	-948
Profit (loss) on other investments	**341**	**-181**
250. Profit (losses) on equity investments	12,806	8,530
to deduct Profits (Losses) on equity investments: of which Price Adjustment on disposal of equity investments	-12,962	-8,829
260. Profit (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
280. Profit (losses) on disposals of investments	497	118
Profit (loss) on continuing operations before taxes	**467,752**	**420,870**
Taxes on income from continuing operations = item 300	**-141,596**	**-128,817**
Net profit for the year	**326,156**	**292,053**
Net profit (loss) for the year attributable to minority interests	-12,087	-18,155
Net profit (loss) for the year attributable to the Parent Company	**314,069**	**273,898**

Net operating income

Operating income for 2019 came to Euro 2.0 billion, increasing by 1% vs. the previous year. Net interest income increased (up by +1.9%) vs. 2018, as did fee and commission income (up by +2.3%), whereas profit from banking activities decreased because of the more modest contribution from capital gains on securities (down by Euro -23 million vs. 2018).

Net interest income

Items	31.12.2019	31.12.2018	Changes	
			Absolute	%
Loans to customers measured at amortised cost	824,926	815,025	9,900	1.2
Loans to banks measured at amortised cost	2,494	-12,693	15,187	
Debt securities issued	-87,516	-100,445	-12,929	-12.9
Spreads on hedging derivatives	173,775	165,799	7,976	4.8
Financial assets held for trading	82	601	-519	-86.4
Assets measured at fair value	-	-	-	
Securities measured at amortized cost	65,019	64,279	740	1.2
Securities through other comprehensive income	34,975	58,003	-23,028	-39.7
Other net interest income	-4,116	-57	4,059	
Net interest income	**1,009,639**	**990,512**	**19,127**	**1.9**

Net interest income came to Euro 1,010 million, increasing by Euro 19 million vs. the previous year. This good performance was achieved thanks to thorough management and optimization of funding and liquidity, as well as to effective hedging of interest rate risk, whereby the negative effect generated by the decrease in interest income on securities and on non-performing loans (minor time value) could be mitigated. Furthermore, subsequent to the first-time adoption of IFRS 16, the “Other net interest income” aggregate reports also Euro 4 million worth of imputed interest expenses on amounts due for rentals and leases.

Net fee and commission income

Items	31.12.2019	31.12.2018	Changes	
			Absolute	%
- guarantees issued	5,483	8,566	-3,083	-36.0
- collection and payment services	56,901	55,464	1,437	2.6
- current accounts	224,844	216,132	8,712	4.0
- debit and credit card services	32,402	39,068	-6,666	-17.1
Commercial banking business	**319,630**	**319,230**	**400**	**0.1**
- securities intermediation and placement	203,815	194,308	9,507	4.9
- intermediation in foreign currencies	4,621	4,656	-35	-0.8
- asset management	7,995	9,723	-1,728	-17.8
- distribution of insurance products	282,297	263,749	18,548	7.0
- other intermediation/management fee and commission income	42,901	41,058	1,843	4.5
Management, intermediation and advisory services	**541,629**	**513,495**	**28,134**	**5.5**
Tax collection services	-	-	-	
Other net fee and commission income	**58,054**	**65,520**	**-7,466**	**-11.4**
Total net fee and commission income	**919,313**	**898,245**	**21,068**	**2.3**

Net fee and commission income came to Euro 919 million; it grew by Euro 21 million (up by +2.3%) vs. 2018.

Breaking it down, income from the commercial banking business came to Euro 320 million (stable vs. 2018), whereas management, intermediation and advisory services generated revenues worth Euro 542 million, considerably increasing (up by Euro 28 million, i.e. +5.5%) driven by the synergies with the specialist companies of the Crédit Agricole Group, such as Agos – the leading player in the Italian consumer finance business -, CA Assicurazioni and CA Vita for the insurance business and Amundi for Wealth Management. The higher increases were achieved in the distribution of insurance products (up by Euro 18.5 million) and in intermediation and placement of securities (up by Euro 10 million) within the strong growth in Wealth Management and the good performance in consumer loans.

Dividend income

Dividends from equity investments came to Euro 11.3 million, decreasing by approximately Euro 1.2 million, mainly subsequent to the sale of some equity investments. The main dividends for the reporting year referred to the shareholding in the Bank of Italy, which was classified in the "Financial assets measured at fair value through other comprehensive income" portfolio (Euro 8.9 million).

Net income from banking activities

Items	31.12.2019	31.12.2018	Changes	
			Absolute	%
Interest rates	8,010	7,590	420	5.5
Stocks	-37	-2,986	-2,949	-98.8
Foreign exchange	6,990	6,158	832	13.5
Commodities	31	27	4	14.8
Total profit (losses) on financial assets held for trading	**14,994**	**10,789**	**4,205**	**39.0**
Total profit (losses) on assets held for hedging	**-8,804**	**-6,152**	**2,652**	**43.1**
Net profit (loss) on financial assets and liabilities measured at fair value	**-29**	**3,176**	**-3,205**	
Total profit (losses) on financial assets measured at amortized cost	**26**	**464**	**-438**	**-94.4**
Total profit (losses) on financial assets measured at fair value through other comprehensive income	**3,314**	**26,428**	**-23,114**	**-87.5**
Profit (loss) on banking activities	**9,501**	**34,705**	**-25,204**	**-72.6**

Income from banking activities came to Euro 9.5 million, down by Euro 25 million vs. the 2018 figure that included capital gains on government securities amounting to Euro 27 million vs. Euro 3 million in 2019.

Other operating income (expenses)

The balance of "Other operating income (expenses)" came to Euro 3.1 million, increasing by Euro 1.2 million vs. 2018. This change resulted also from the increase in the "Adjustment price" component regarding an equity investment sold in previous years.

Operating expenses

Items	31.12.2019	31.12.2018	Changes	
			Absolute	%
- wages and salaries	-520,715	-517,845	2,870	0.6
- social security contributions	-137,217	-136,577	640	0.5
- other personnel expenses	-69,823	-87,601	-17,778	-20.3
Personnel expenses	**-727,755**	**-742,023**	**-14,268**	**-1.9**
- general operating expenses	-106,700	-130,237	-23,537	-18.1
- IT services	-94,191	-91,727	2,464	2.7
- direct and indirect taxes	-118,164	-121,058	-2,894	-2.4
- real estate property management	-16,587	-56,579	-39,992	-70.7
- legal and other professional services	-23,535	-27,183	-3,648	-13.4
- advertising and promotion expenses	-15,225	-16,483	-1,258	-7.6
- indirect personnel expenses	-12,215	-12,349	-134	-1.1
- contributions to support the banking system	-40,703	-40,005	698	1.7
- other expenses	-189,694	-193,894	-4,200	-2.2
- expenses and charges recovered	280,635	287,109	-6,474	-2.3
Administrative expenses	**-336,379**	**-402,407**	**-66,028**	**-16.4**
- intangible assets	-90,853	-84,748	6,105	7.2
- property, plant and equipment	-80,163	-44,266	35,897	81.1
Depreciation and amortization	**-171,016**	**-129,014**	**42,002**	**32.6**
Operating expenses	**-1,235,150**	**-1,273,444**	**-38,294**	**-3.0**

Operating expenses came to Euro 1,235 million, down by Euro 38 million (-3%) vs. the previous year, thanks to the cost synergies achieved with the merger in 2018 of the Fellini Banks (Cassa di Risparmio di San Miniato, Cassa di Risparmio di Cesena and Cassa di Risparmio di Rimini), thanks to the fact that there were no more expenses for their integration and thanks to lower personnel costs, which were only partially offset by the structural growth in amortization regarding the investments set in the Business Plan.

Specifically, personnel costs came to Euro 728 million (down by -2%); this decrease resulted from lower provisioning for voluntary redundancy vs. the previous year and from the exits through the voluntary redundancy scheme and through the "quota 100" retirement scheme, i.e. retirement with a total of 100 between years of contribution and age.

As regards other operating costs, the first-time adoption of IFRS 16, which applies to reporting periods starting on or after 1 January 2019, prevents any reliable comparison between the administrative expenses and depreciation/amortization components separately, given that lease fees, which, until 31 December 2018, were recognized under the "property management expenses" item, were recognized under property, plant and equipment in 2019, because of the amortization of the right of use asset recognized in the balance sheet. However, the aggregate overview of administrative expenses and depreciation/amortization shows a strong decrease (down by Euro 24 million) mainly because of the reduction in general operating expenses, the synergies from the merger of the Fellini Banks and no more integration expenses, as mentioned above, in spite of the 7% increase in intangible assets reflecting the investments in software provided for by the Medium-Term Plan (MTP).

Subsequent to the above-reported developments, the cost/income ratio came to 61.2% (excluding the contributions to support the banking system SRF/DGS), improving vs. 2018 (63.6%).

Net Provisions for risks and charges

The "Net provisions for risks and charges" item decreased by Euro -8.9 million vs. the same figure for 2018, which reported a positive mismatch of Euro 19 million comprising Euro 27 million worth of provisions for the renegotiation of some supply and service provision contracts with vendors and product companies that used to work with the Fellini Banks. Net of those recoveries, the "Net provisions for risks and charges" item would have increased by approximately Euro 0.6 million (+8% YOY).

Net impairments of loans

Items	31.12.2019	31.12.2018	Changes	
			Absolute	%
- bad loans	-99,001	-115,283	-16,282	-14.1
- Unlikely to Pay	-129,605	-143,873	-14,268	-9.9
- Past-due loans	-1,951	-2,304	-353	-15.3
Non-performing loans	**-230,557**	**-261,460**	**-30,903**	**-11.8**
- Performing loans – stage 2	7,055	13,161	-6,106	-46.4
- Performing loans – stage 1	-6,034	3,035	9,069	
Performing loans	**1,021**	**16,196**	**-15,175**	**-93.7**
Net losses on impairment of loans	**-229,536**	**-245,264**	**-15,728**	**-6.4**
Gains/Losses on contract modifications without derecognition	-3,357	-1,037	2,320	
Expenses/recovered expenses for loan management	-9,735	-18,484	-8,749	-47.3
Net losses on impairments of guarantees and commitments	3,244	4,592	-1,348	-29.3
Net impairments of loans	**-239,384**	**-260,194**	**-20,810**	**-8.0**

Net impairments of loans totalled Euro 239 million, decreasing by Euro 21 million (down by -8%) vs. the previous year; this improvement reflects the lower number of positions entering the non-performing status and lower costs for the management of non-performing loans, also subsequent to the disposals made in the year. In percentage terms, the ratio that expresses the cost of credit risk,(the ratio of the relevant adjustments taken to the Income Statement to net loans to Customers as at the reporting date), decreased to 51 bps vs. 57 bps in 2018.

Profit (loss) on continuing operations before taxes

Profit before taxes on continuing operations came to Euro 468 million, increasing vs. Euro 421 million in the previous year (up by +11%).

Taxes on income from continuing operations

Current taxes and deferred tax liabilities came to Euro 142 million; the tax rate was 30.3% essentially unchanged vs. the previous year (30.6%).

Net profit

Net profit for the year came to Euro 314 million, increasing by 15% vs. the same figure for 2018 amounting to Euro 274 million.

Comprehensive income

Items		31.12.2019	31.12.2018
10.	**Net Profit (Loss) for the year**	**326,156**	**292,053**
	Other comprehensive income after tax not recycled to profit or loss		
20.	Equity securities designated at fair value through other comprehensive income	(5,023)	(2,945)
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.	Actuarial profit (losses) on defined-benefit plans	(2,571)	(2,120)
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.	Exchange rate 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	92,257	(123,513)
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**	**84,663**	**(128,578)**
180.	**Comprehensive income (Item 10+170)**	**410,819**	**163,475**
190.	Consolidated comprehensive income attributable to Minority Interests	14,460	11,654
200.	**Consolidated comprehensive income attributable to the Parent Company**	**396,359**	**151,821**

Comprehensive income came to Euro 411 million, consisting of earnings for the period (Euro 326 million gross of minority interests) and of the changes in assets directly recognized in equity reserves (Euro 85 million), the latter regarding mostly the net increase in valuation reserves on “Financial assets measured at fair value through other comprehensive income”. It is pointed out that the inclusion in comprehensive income of the item reporting “Financial assets measured at fair value through other comprehensive income” entails strong volatility, which must be taken into account when analyzing the table. Net of the portion attributable to minority interests (amounting to Euro 14 million), consolidated comprehensive income attributable to the Parent Company came to Euro 396 million.

Operations and profitability by business segment

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

STRATEGIC PLAN AND CORPORATE DEVELOPMENT LINES

STRATEGIC PLAN

In 2019, the Crédit Agricole Italia Banking Group started its new Medium Term Plan (2019-2022) based on its strong "raison d'être": Working every day in the interest of our customers and society, thus reasserting its customer-focused universal banking model.

The new MTP is an ambitious growth plan continuing the previous "Ambizione 2020" plan, whose financial and project objectives were achieved one year ahead of schedule. The Plan is structured on three Pillars:

1. **Customer:** a programme that comprises all the initiatives aimed at pursuing relational and operational excellence also through the differentiation of the Service Model and the evolution of products and services tailor-made for each channel, becoming the favourite banking partner for our Customers in meeting their investment, protection and savings needs;
2. **People:** a programme that comprises all the initiatives aimed at empowering individuals, by means of an extensive managerial training plan, with the goal of providing excellent services to Customers, through the empowerment of resources and the evolution of managerial models, enhancing diversity, inclusion and female leadership;
3. **Social Responsibility:** projects and initiatives substantiating closeness to the community, to society and to the environment, consistently with the Group's CSR strategies. Activity for the adoption of Environmental, social and governance (ESG) criteria in scoring companies and measuring their carbon footprint, in synergy with the Group's project that involves all CA entities.

An all-important **Industrial Transformation** is the enabling factor crosswise the three pillars to support change.

1. CUSTOMER PROJECT

Consistently with the Group's values, the **Customer Project** of the Crédit Agricole Italia Banking Group sets **important business ambitions** driven by constant enhancement of the synergies with the Group's factories:

- **Investing in relational and operational excellence** to drive organic growth, ranking among the top proximity banking players for CRI[9];
- **Developing a more and more dedicated and specialized** model, to achieve **excellence in Asset Management**, with investments in services to Customers and in distribution capacity growth;
- Speeding up **development in the Non-Life Bancassurance sector**, as a distinctive feature of our offer to Customers;
- Enhancing **specialization of the Corporate segment** on the products/services with the highest added value.

In 2019, all the projects were started and the first important results were already achieved:

- Several initiatives were launched to support the organic growth of the customer base, in terms of new products (new range of current accounts, including the new online account), campaigns to contact customers and communication campaigns, agreements with Universities and other strategic partnerships;
- An ambitious plan was launched to support relational and operational excellence driving Customer Satisfaction;
- Activities continued for continuous improvement of the Internet Banking platforms and of the apps to ensure better and better User Experience, as did activities to widen the range of products that can be bought in a multichannel mode;
- "MutuoMap" went live, which is the new service to track the progress of mortgage loan application processing, is integrated in the Mobile Banking and was awarded by Milano Finanza as the most innovative loan-related product in 2019;
- The actions to evolve the service model and the range of products and services were set, strengthening Account Managers and Financial Advisors and widening the range of Non-Life Bancassurance products.

9 Customer Recommendation Index

2. PEOPLE PROJECT

The main objectives being pursued to enhance the Group's human capital can be summarized as follows:

- Developing **individual empowerment of each resource** to ensure **excellent services to Customers, in a more engaged, proactive and inclusive environment**, through the evolution of the leadership model and by fostering proactivity and self-empowerment of the Group's resources;
- Reasserting the **Group's differentiating culture** to attract and retain the best talents and to ensure managerial culture sustainability, **to enhance diversity and inclusion** and female leadership and to foster generational turnover.

In the reporting year, several strategic activities were started to enhance the Group's human capital:

- **The action to strengthen the Group's commercial workforce**, through a recruiting/resource conversion plan, which involved approximately 150 colleagues;
- An **extensive managerial training plan** was launched;
- **Digital Academy**, the new online training platform of the Group was launched, several coaching and mentoring programmes were started and an **"agile" culture has been promoted** to revamp processes with an innovative and fast mode;
- The **"Charter of Respect"** was adopted, substantiating **strong focus on diversity**, to set the rules for work-life balance and behaviours within the firm supporting female talent; the **"Women in banking: balance in appointing new managers"** charter, issued by the Italian Banking Association, was signed; balance was ensured as to the number of women out of the newly appointed senior managers of the CAI Group in 2019 (55% of the total number of newly-appointed senior managers) and an **agreement with the trade unions was signed against "Gender violence"**;
- New **Welfare initiatives** were developed: a wellbeing programme aimed at promoting a healthy lifestyle among colleagues (the FRED Good Life Group project); the **MA- AM&PAPÀ** portal went live, a programme to support colleagues that have just become parents, accompanying them before, upon and after the birth of a child;
- The **Smart Working** agreement with the trade unions was renewed.

3. CORPORATE SOCIAL RESPONSIBILITY

In terms of Social Responsibility, the ambition is to develop **projects and initiatives substantiating closeness to the community, society and the environment**, fostering the attractiveness and economic development of the communities the Group operates in, providing Customers with incentives for energy transition and pursuing the objective of being a responsible player in the environment protection. Several initiatives were started already in 2019:

- A Crowdfunding platform (**Crowd for Life**) went live for social initiatives in all the Group's communities in Italy, for sustainable development, consistently with the Group's CSR strategies;
- The «**Sustainable development week**» was organized at GreenLife in Parma;
- Some Circular Economy projects were developed, with furniture no longer used made available to public-benefit nonprofit corporations operating in the area;
- **Sustainable mobility** initiatives were implemented pursuing reduction in CO2 emissions (new policy on the Group's cars with hybrid vehicles, bike sharing and use of e-bikes);
- **Green energy** continued to be used to enhance energy efficiency;
- **Amundi ESG-compliant green products** continued to be distributed;
- A **training plan** started to increase the awareness of Retail and Private Banking Customers (20 events in several Italian cities during the year);
- A new **range of insurance products** was launch regarding «sustainable mobility» (smartlife) and the agri-food sector (ForaggioSat, the first ever in Italy);
- The range of **green mortgage loans** was extended, i.e. mortgage loans that are more advantageous if the purchased property is in energy categories A and B, as well as **loans** to buy hybrid and electric vehicles with **Agos**;
- Activities started to adopt **ESG criteria in business scoring**;
- The activities to **for carbon footprint measurement** continued, in synergy with the Group project involving all CA entities.

The initiatives rely on a strong investment plan and go alongside an **important programme for the transformation of the distribution model** and **of the operating model**, which provides for:

- **Evolution** towards a **network model with fewer branches** that are larger in size and more automated, with targeted coverage that is proportional to the potential of each area;
- The launch of a **Digital Factory** to redesign operational processes in a digital perspective, with an agile approach in order to transform the Account Managers' operating time in commercial time at the service of Customers;
- The creation of a **Credit Factory** to continue the reduction in NPEs and the industrialization/digitalization of processes (innovative model to manage credit risk);
- Service integration in a multichannel and omnichannel mode, fostering **innovation and digitalization**.

In 2019, some important initiatives were completed:

- Crédit Agricole Carispezia was merged into Crédit Agricole Italia;
- The review and redesign of the distribution model started, in order for the various geographical areas to be covered in accordance with their respective potential, with fewer Branches (approx. 100 closed in the reporting year) that are larger in size, equipped with advanced tools, operate in a "cashless" mode, enabling automation of transactions;
- The "Digital Factory" was launched, for the redesign and digitalization of the Bank's core processes to make them agile;
- The "Le Village Parma" project started (after the opening of the Le Village by CA in Milano), and the opening has been scheduled for 2020;
- The new Credit Factory tools went live, aimed at improving the efficiency and effectiveness of loan authorization processes and of the review of the related ones.

CORPORATE DEVELOPMENT LINES

In the reporting year, the Crédit Agricole Italia Banking Group further strengthened its customer-focused universal banking model, always faithful to local commitment and attentive to the communities' needs with special care for the satisfaction of its customers, responding to their needs by developing dedicated products and services.

As regards the Retail segments, the Group once again achieved strong positioning on the market, thanks to a constantly updated and high-value range of products and services, as well as to several commercial initiatives designed and implemented starting from the analysis of needs as detected within relations with Customers and from the requirements and suggestions expressed by the Distribution Network.

Customer Base development

The Group implemented several initiatives aimed at strengthening its ability to acquire customers, especially that of Branches, while reducing customer churn by improving customer satisfaction and fostering the generational bridge to heirs that are not customers. The specific objectives are:

- To increase the Branches' ability to acquire customers by identifying resources dedicated to this task with the Regional Management structures and in the Financial Advisors channel;
- To drive customer acquisition with structured initiatives tailor-made for specific moments in prospects' lives: school/university, asset accumulation/decumulation and generational bridge;
- To enter new markets, such as the Voluntary Sector one, implementing some development activities with players operating in the Group's communities;
- To implement "anti-churn" activities, monitoring customers at risk of attrition, with advanced statistical models;
- To strengthen local effectiveness in terms of customer base development by setting up a specific structure engaged in growth matters.

Customer satisfaction and Relational Excellence

The Group has set the objective of reasserting its position among the leading traditional Banks.
In 2019, several initiatives were started aimed at improving Customers' user experience in all the phases of interaction with the Bank, irrespective of such interaction being digital, by phone or in person at branches.

Furthermore, to assess customers' expectations and satisfaction as accurately as possible, Instant feedback started to be collected in the main stages of interaction with the Bank, such as opening of accounts both online and at branches, closing of current accounts, making credit transfers, etc.

To foster larger and larger spreading of the attention-to-customers approach, specific actions were undertaken aimed at increasing Account Managers' knowledge and relational effectiveness, such as workshops dedicated to the most interesting sectors, in cooperation with the relevant structures of CASA.

Digital platforms

To adequately respond to the challenges the Bank will have to face in the next few years, analyses of the digital market continued to be made, constantly comparing the quality of the services provided (Google/Apple), of the products (Digital Financial Services Observatory), of the digital platforms (Digital Finance) and qualitative analysis on usability with sector players.

The **New Omnichannel Strategy, supplemented with the actions for speeding up digitalization**, is mainly based on the implementation of new platforms for Individuals/Small Businesses, in order to extend the range of products/services that can be obtained on the web and by mobile, and to improve customer experience. The following actions fall in this scope:

- Start of the "New Mobile App" project: in order for Crédit Agricole Italia to rank among the most innovative players in the market. Involvement of the network and customers with focus groups, tests and used of an agile method.

- Project for new access to Home Banking and new user experience: new graphic design, technical architecture and new browsing mode, in order to increase the App use and to reduce calls to the Help Desk. Easier and faster access, thanks to push notification and to automation with Order-giving PIN or biometric data.
- Release of "strong customer authentication" on all platforms for Individuals, Small and Medium Enterprises and Corporate customers, for both access and to confirm each transaction. Very critical project because of its impacts on all customers, which was completed with high customer satisfaction.

"Customer Service" evolution

In 2019, the Group continued to extend and improve its voice and Internet contact channel with the Group's customers in the Individuals segment. The Customer Service project, which is part of the Group's MTP, aims at developing the tools and the organization of activities, resources, and all marketing and communication aspects to improve the performance in the scopes of activity listed below.

The Customer Service is staffed with approximately 140 resources working at the hubs in Milan, Bergamo, Cesena and Rome and is mainly engaged in three scopes of activity:

- Managing requests – for information and commercial, and grievances received through the toll-free number, e-mail, the Internet and social media from Customers – ensuring adequate service level and a quality of responses adequate to meet customers' expectations, while creating also commercial/sales opportunities for base products;
- Developing digital acquisition, providing support both to customers that choose to open an online account and for mortgage loans through the Mutuo Adesso portal or managing the leads from web brokers;
- Proactively contacting selected customers (outbound activity) proposing the Bank's products, such as Agos personal loans, through proactive contact campaigns and call-me-back interactive campaigns after interaction with Customers through the digital channels;
- Furthermore, the Customer Service has an active role in the Customer Journey that has been designed for the Customers in the Team Portfolio, with contact campaigns aimed at enhancing knowledge and relations effectiveness, as well as at increasing the commercial effort with specific campaigns;
- Yet another activity is the one in the insurance scope and, specifically, on the Mistral project, through which the Customer Service proposes products and services to Customers in a multichannel mode, i.e. using all channels available to the Customers.

Mortgage loans

Home loans proved again a strong point of the Group, which, with constant increase in market shares and loan stock (up by 6.28% in Sept. 2019, +25 bps YOY) as well as in new loans (up by 7.06% in Sept. 2019, +68bps YOY), has reasserted its role as a specialist bank in home loans. In addition to loan origination and stock shares, the demand for mortgage loans was also good (source CRIF) coming to 8.72% in December 2019.

Product Innovation was constantly focused on and, again in 2019, the flexibility options for the amortization schedule and the benefit of one free instalment were confirmed, in addition to the possibility of choosing, as a third option along the floating rate and fixed rate ones, a variable rate with a cap.

Another strategic focus is that on supporting "energy transition", with the objective of increasing the "green mortgage loans" portfolio; to this end, the lower interest rate on mortgage loans secured by properties in energy classes A/B was confirmed, as were the advantages for home renovation with improvement in the energy class.

The CAI Group continued to participate in the Energy Efficiency Mortgages Action Plan (Eemap) project, which involves European institutions and banks and aims at creating a European mark and harmonized standards to identify green mortgage loans, i.e. energy efficient mortgages.

The enhancement of the process efficiency was one of the priorities for 2019, with the completion of the process for automated management of mortgage loan applications, from quotation to signing (thanks to the "Mortgage loans" Tool), with the objective of optimizing time and work practices at all stages, digitizing all documentation, while improving customer experience and response time. In 2020, access to the Mortgage loans Tool will be made available also to brokers, enabling them to electronically interact with the Group's Regional Management structures.

Thanks to the process digitalization, a new function could be released in the **MutuoMap** Now Banking App, whereby mortgage loan applicants can follow at any time the progress in the processing of their applications and can upload any missing documents directly from their smartphones, thus improving the service provided to customers and their customer experience; MutuoMap was awarded the Milano Finanza innovation prize.

The full online sale process is being developed (100% digital with support provided by the Customer Service), whereby Customers will be able to remotely sign mortgage loan agreements, from application to finalization. The project objective is not only to serve a range of digitally savvy Customers, who do not need any support from advisors, but also to increase and improve the digital services provided to all Customers, so that they can choose, at any time in their purchase process, whether to do it digitally or receive support from an account manager;

Personal Loans

As regards measures supporting access to credit, thanks to its cooperation with **Agos**, the Group has increased its support to households, with the main action lines for 2019 focusing on several development scopes:

- Business support: optimization of relations through continuous improvement in the multichannel approach (DEM, Nowbanking, ATM); training of a Customer Service Team focusing on loans against one fifth of salary/ pension and deduction of payment and on recontacting the Customers involved in the most important commercial actions.
- Process evolution: a new automatic approval process went live, with no need for Agos to step in, which led to faster loan origination.
- Risk strategy: commercial and direction policies were implemented aimed at controlling risk, in order to correctly use the riskiest durations.

Bancassurance

In 2019, the initiatives provided for in the Mistral plan started, which is the strategic plan rolled out by the Bank and by Crédit Agricole Assicurazioni aimed at positioning the Group among the leading players in the Italian market of Non-Life Bancassurance, thanks to highly innovative products and services and to the use of digital channels.

The main actions completed in 2019 concerned:

- Review and innovation of the range of products and services in order to meet the Customers' new needs: insurance coverage of risks in agriculture using satellite technology, microcoverage insurance policies meeting the needs associated with sustainable mobility and technology use, full range of products and services bespoke for Small Enterprises and the Senior Accident new range.
- Enablement of offer in a multichannel mode, through Branches, Homebanking and Customer Service.
- Design of a new operating Model for the Customer Service, with rollout of outbound pilot campaigns.
- Strengthening of the commercial support to Branches, with the onboarding of new resources providing technical/commercial expertise within the existing model based on product specialists.

The plan to strengthen digital channels (Home Banking, Apps, Virtual Branch, Customer Service) is going to be completed in 2020 with the omnichannel model going live, with digital signature and remote selling. The model is going to ensure the utmost freedom to Customers in using all the channels of the Bank at any time in the process of advice provision, choice and purchase of insurance products, while achieving constant operational efficiency, automation and digitalization of processes.

Wealth Management

The main strategies for 2019 were set based on long-term, forward-looking analyses of the competition arena, of commercial performance and of possible market shares. This is reason why it was decided to set the segment evolution both by upgrading the service model (Wealth Management 2.0 project) and by proposing new investment solutions (2019 Products Plan).

The Wealth Management 2.0 Project is being developed along three main directions:

- Improvement in the experience and satisfaction of the Customers with high added value (affluent and private banking Customers). This scope includes the review and upgrading of the service model with the implementation of advisory services on needs, which, consistently with Crédit Agricole's philosophy (Mon Patrimoine), provide full-range advice on personal and family assets and estates (Real Estate/ Successions/ Assets at third parties/Insurance Protection/Advisory Services and Trading on AuM/Advisory services on ESG); these advisory services shall be for a fee, as in the most successful similar services in Italy. Further improvement in the customer experience through omnichannel reporting and alerting, implementation of the new "robot for advisor" tools supporting account managers (recommended/guided paths, Fund selection service);

- Constant and progressive strengthening of the network resources working with the Retail Affluent sub-segment and with Private Banking Customers (Private Bankers; Financial Advisors, Affluent Account Managers) and specialization of the service model for Affluent Customers. To this end, in 2019 the new supply chain for Affluent Account Managers was launched, consistently with the reorganization of the Regional Management structures. In the reporting year, a single "Investment Center" was set up providing support to all Commercial Channels;
- Industrialization and digitalization of the service model for Mass Market Customers and for digitally-smart Customers. The first Robot Advisor pilot project, called CA Smart Advisory, has been scheduled for early 2020. The service is mainly intended for Households and is going to support cross-selling on investments for lower added value Customers and/or digital Customers. In 2021 yet another automated planning service is going to be implemented in order to provide support to account managers at the branches and to the Customer Service in increasing their productivity and interaction with Customers.

The project development calls for continuous training on change management, as well as for constant guidance to be provided by the new Investment Center in cooperation with the Group's specialized entities (Amundi and Indosuez). All projects are developed while paying constant attention to the range of products (in 2019 the new range of ESG Selection multi-asset funds, the development of CPR Asset Management, a themed boutique owned by Amundi, restyling of the wealth management range, new multiline ranges for private and retail banking customers with phased-in entry in the markets and decumulation, guided architecture of third-party houses and new range of Certificates and Private Assets/Private Insurance for the Private Banking Channel).

Small Business

In order to further increase the segment performances, several initiatives are underway aimed at better serving Customers in terms of both short-term and medium/long-term loans, with specific focus on supporting green investments. The analysis of and benchmarking against the market needs and expectations were one of the key factors used in designing the strategic lines, for example growth in loans through the approval of allotments of funds be used for loans to Customers in the most operational technical forms (UUR, advances on invoices, export). Worth noting is also the support provided to Businesses that stand out for Green and Circular Economy investments with projects aimed at environmental, through funds allotted for this use.

- The new range of **SmartPOS** products went live, SmartPOS being advanced terminals that allow points of sale to accept a wider range of electronic payments, to improve the management of their operations and to receive new added-value services (such as electronic invoicing, integrated cash register). The free **MicroPayments** promotion and the **Anticipo Transato POS** line, i.e. Credit facilities at special interest rate proportional to the amounts of POS transactions, went live.
- The development of business in the Agri-Food sector was focused on, with the identified priorities concerning the development of the "organic" and "contractors" segments. In order to enhance support to producers of agricultural Commodities supplied to the industry, supply chain agreements were signed with some leading Italian agri-food Groups. Furthermore, the **AgriAdvisor Tablet** was released, which is a tool supporting Account Managers in meetings with Customers.
- The Service Model was reviewed and upgraded, continuing with specialization in managing Customers, with the following sub-division:
  - Small Business Centers: Core Customers with high added value and with needs for more advanced advisory services;
  - Branches: developing customer analysis by type of business activities, economics and typical needs, aimed at specialization on the main targets through: a bespoke service model, digital tools for customer analysis and tailor-made packages of products and services;
  - In early 2020, the model will be completed with the allocation of Customers to different portfolios (approx. 20 thousand Customers) and with the creation of "Special Networks", i.e. units within the Regional Management structures engaged in governing and controlling credit risk.

PRIVATE BANKING AND FINANCIAL ADVISORS DISTRIBUTION CHANNEL

In 2019, the Crédit Agricole Italia Banking Group presented its new Medium Term Plan to 2022, which was designed in cooperation with the Regional Banks and with Crédit Agricole S.A.

The Group Project expresses, for the first time ever, **Crédit Agricole's raison d'être**, which is the foundation of its unparalleled relational model.

Forward-looking and always true to the Group's tradition, its Raison d'être guides its transformation and development, while promoting its values of usefulness and universality; it can be summarized as: «Working every day in the interest of our customers and society».

In this long-term perspective, the **2022 Strategic Plan is, for Crédit Agricole, a project for growth continuing the "*Ambizione Strategica 2020*" previous Medium Term Plan**, whose objectives were mostly achieved one year ahead of schedule.

In this scope, the Private Banking and Financial Advisors specialist channels **augmented and sped up the growth pace pursuing key drivers, such as customer satisfaction, the development of resources' professional skills and service model evolution.**

In structural terms, in 2019 the Group continued the activities for **full commercial and behavioural integration of the new markets (formerly the Fellini Banks' ones)** in order to harmonize the existing expertise and best practices, while rationalizing local structures.

In the reporting year, the **merger by absorption of Crédit Agricole Carispezia** was also finalized, with the twofold objective of streamlining decision-making and operational processes, thus generating considerable organizational synergies, and of strengthening the service model, ensuring constant focus on Customers and investing again in the communities.

The Financial Advisors channel continued, also in 2019, with its intense recruiting activity, whereby the network was strengthened with many resources recruited in the market and with resources already in the Group's workforce.

As to development of products and services, the highlights are:

- Issues bespoke for the Customers of the private banking and financial advisors channel made by Amundi SGR (**Amundi Private Mercati Emergenti and Amundi Private Sostenibile**), with the latter focusing on **socially responsible investments** (clean energy, water treatment, reduction of carbon emissions);
- Launch of two new multiline policies of Crédit Agricole Vita (**Private Dynamic Strategy and Dynamic Strategy HNWI**) bespoke for the Customers of the private banking and financial advisors channel, which, in addition to the typical benefits of life policies, are an investment solution that is at the same time exclusive, flexible and fully customizable;
- **Private Insurance** offer, policies governed by the Luxembourg law to meet the needs of Customers for high customization;
- Launch of the **"Agritaly" Private Debt AIF**, which supports Italian SMEs in their growth projects with medium/long-term loans.

As done in the previous year and to meet the needs of more and more advanced Customers, also in 2019 the Private Banking and Financial Advisors specialist channels interpreted **digital innovation and multichannel access to the service as an integral part of the business**.

The strong commitment to accelerating the technological evolution of the services (remote advisory services, integrated reporting, financial communication) comprised two key drivers:

1. **Improved Customer Journey,** also thanks to larger and larger use of the digital tools made available to private bankers, which make it easier for the bankers providing advisory services and keeping in contact with their Customers (tablets, Web Collaboration, remote sale, digital signature);
2. **Enhanced efficiency of the account managers' activities,** through better planning, and the support of the **CRM platform (Nowdesk)** in order to have more time to dedicate to business and development.

Other significant initiatives in the year concerned:

- Provision of **targeted training specific for each one of the two channels**, as required to support their work in a constantly evolving competition scenario. For both channels, training covers three main scopes: technical-specialist, behavioural-managerial and regulatory. Some of the most important activities carried out in 2019 are:
  1. The completion of the two-year training course organized in **cooperation with the Italian Private Banking Association (AIPB)** and focused also on MiFID 2, thanks to which the **Private Banking Network obtained the "AIPB Certification of Private Bankers' skills – ESMA compliant", giving further evidence of the quality of the advisory services provided by Crédit Agricole Italia to its Private Banking Customers. Interaction and exchanges with the AIPB** continued and proved again fruitful, allowing effective analysis of the main trends in the sector, also with benchmarking among the main competitors;
  2. In cooperation with the **Corporate Banking channel and with a leading Italian Law Firm**, a joint training session was provided to **Private Bankers and Corporate Banking Account Managers on succession planning and tax optimization regarding entrepreneur customers.**
  3. **Onboarding programme for the new Financial Advisors** to foster the development of their sense of belonging to the Group and of its commercial approach and corporate culture.
  4. A targeted **managerial and commercial development** course continued, aimed at providing insight on planning, acquisition development of referrers.
- Constant cooperation with the Corporate Banking channel and with the Small Business centers in managing specific needs of target Customers. This cooperation yielded an increase in business transactions made in synergy with the aforementioned two structures.
- The outcome of the DOXA survey on the **satisfaction of the Customers of the Private Banking and Financial Advisors channel** was once again very good. In this regard, **contact proactivity** was boosted through the development of an approach for continuous contact between the Banker/Financial Advisor and his/her Customers, also thanks to the organization of **dedicated events in the communities**.
- Specifically, at the end of 2019, a **roadshow with events in several Italian cities intended for the Customers of the Private Banking and Financial Advisors** channel was organized, in cooperation with Amundi, on very topical and interesting themes, such as sustainability in investments (ESG).
- Constant communication activities, both internal, with dedicated calls, workshops and seminars, and external, with the monthly newsletter with financial/educational contents sent to the Customers in DEM format.

CORPORATE BANKING DISTRIBUTION CHANNEL

In 2019, the Corporate Banking channel proved again the preferred financial partner of Corporate Banking Customers, providing strong support to their business activities and high-end specialist advisory services. In the reporting year, the Corporate Banking channel fostered growth and investments of its customer companies providing products and services tailored made for the needs and behaviours of the various customer segments in scope.

In the year, the Corporate Banking channel increased its range of products and services and structured its business based on a coordinated set of activities and actions, such as:

- Support to exports and internationalization, with specialist advisory services provided through the Specialists Network and the International Desk to assist foreign companies in Italy, as well as with business agreements relying on the international operations of Crédit Agricole Banking Group, in the services provided to Italian companies that want to become international players;
- Support to firms in the event of discontinuity and for investments, through considerable development in Corporate Finance and a distinctive range of products and services, with the Crédit Agricole Italia Banking Group ranking among the leading players in this sector;
- The design and development, in synergy with the companies of the Group, of innovative products and joint initiatives, which, by listening to Customers in order to improve the range of products and services, aims at strengthening the relationship with Customers;
- The organization of specific events in the various communities (e,g. "Coffee with Firms", a workshop on internationalization) involving both prospects, for commercial development and networking in the various areas and the Group's customers, for customer retention and sharing of topical themes, such as the management of financial risks, internationalization, leasing, liquidity management solutions and generational turnover;

- The “Preauthorized loans” initiative, which is dedicated to Customer enterprises that are worthy players in strategic sectors and which can quickly provide them with the liquidity they need to make investments and to finance growth plans;
- The use of instruments and agreements with financial institutions in order to develop products fostering access to credit by SMEs (EIB, European Investment Fund (EIF) allocation, the agreement between the Italian Banking Association and Cassa Depositi e Prestiti on “Capital Equipment Allocation”, Guarantees provided by SACE and by the Italian State Guaranty Fund for SMEs);
- Constant attention paid to Customers and costumer experience continuously improving in order to increase promoters through a proactive relationship relying on the Crédit Agricole Group’s features;
- The partnership with Altios, a highly qualified player specializing in services to companies that want to enter international markets; thanks to this partnership, services for international development can be provided to the Group’s Customers, with analyses of the target market, all the way up to setting up and managing local establishments.

The initiatives listed below aimed at supporting enterprises in their growth are to be specifically mentioned:
- The “ITACA (ITAlian Corporate Ambition) Project”, included in the Strategic Plan, aims at improving the products and services intended for the Mid-Corporate segment, also supplying Investment Banking products through synergies inside the Group;
- “Sustainability Project” with allotted funds for sustainable loans financing Circular Economy, Sustainability and Innovation projects;
- Digital tools that, through Big Data, analyses and information made available by the main economic institutions, are fit to foster harmonized behaviours and deeper relationships with Customers, based on Market needs.

THE WORKFORCE

In 2019, the new 2022 Medium-Term Plan (MTP) was rolled out, which is based on 3 pillars, one of which is specifically dedicated to People – **People Project** – and provides for considerable actions on the Group’s personnel to invest in people’s training and growth, to attract and enhance new talents, both external and internal, to invest in the digital transformation, risk management and processes, to continue to innovate and optimized the branch model.

Specifically, the People Pillar objectives are three and pursue the **EMPOWERMENT** of each and every individual and team strength in order to achieve excellence in the service provided to Customers (agility, added value); the reassertion of our **DIFFERENTIATING CULTURE** to attract, engage and retain the best talents, to ensure the sustainability of our managerial culture; telling what our **PROFESSIONS** are within the Group, with human respect that is consistent and can be read inside and outside the Group.

In their turn, the set objectives have been translated into actions that involve all our employees in terms of individual empowerment, increasing trust and independence, our managers having the role of change facilitators and the corporate organization, streamlining it and making it more adequate to the objectives concerning our people and customers.

In terms of numbers, as at 31 December 2019, the Group’s personnel consisted of **9,751** employees, broken down by entity as follows:

RESOURCES ON THE EMPLOYEE LEDGER	31.12.2019
Crédit Agricole Italia	7,677
Crédit Agricole FriulAdria	1,406
Crédit Agricole Group Solutions	613
Crédit Agricole Leasing Italia	55
Total Resources of the CA Italia Banking Group	**9,751**

In the reporting year, at the Group level, net of contracts transferred/acquired, **396** resources were recruited vs. the exit of **532** resources.

Subsequent to the merger by absorption of Crédit Agricole Carispezia into CA Italia, in July 2019 the 693 employees of Crédit Agricole Carispezia were transferred to CA Italia.

Newly recruited resources were for the Financial Advisors channel (26 new entries), **distribution network personnel** (over 262 new entries in the Retail Banking structure) and **specialist profiles** at Central Departments (for instance in the IT sector).

The personnel consists by **97.91%** of employees with permanent employment contracts, while, in terms of gender, women account for **50.09%** of total resources.

The Group operates in 11 Regions of Italy, with CA Italia being deeply rooted in the Emilia-Romagna and Liguria Regions, and CA FriulAdria in the Friuli Venezia Giulia Region; approximately **54.5%** of the Group personnel works in these three Regions.

The employees' average age is **47 years and 1 month** (breaking down by category in years point months – Senior Managers **53.06** – Junior Managers **50.01** – Professional Areas **44.06**), whereas the average seniority came to **19 years and 1 month** (breaking down by category in years point months – Senior Managers **15.07** – Junior Managers **22.00** – Professional Areas **18.01**).

Consistently with the Medium Term Plan and with the Group's strong focus on the People Pillar, training across all levels and throughout the Group was considerably invested in. Indeed, over **72 thousand man-days** worth of training were provided involving **98.2%** of the Group's personnel, thus substantiating that training, carried out through different distribution channels, is one of the key drivers for the Group development.

As regards the actions aimed at people's growth and enhancement, in the last few months, in depth-analyses were performed, using development tools, on a set of colleagues identified as having high potential, with the goal of designing diversified crosswise and fast paths (the so-called Cross Process).

In the second half of 2019, Job Posting was resumed and, by the end of 2020, at the Group level, the Alisei project will be started again, in order to map the skills of all personnel members and to proceed with their overall upgrading. As in the past, Alisei is going to be, along with the aforementioned Job Posting, one of the most important tools supporting individual empowerment of all the resources for their career development.

Once again in 2019, as for the last few years, the **Crédit Agricole Italia Group** was certified as a **Top Employers** company. The annual HR Best Practices Survey carried out by the Top Employers Institute is the basis for certifying the best companies worldwide in terms of HR: the organisations that achieve the highest standards of excellence in employee conditions, that train and develop talent at all levels throughout the organization and that constantly strive to improve and optimize their Best Practices in the field of Human Resources.

The Solidarity Fund

Within the Strategic Plan, continuing the actions started in 2016, in July 2019 a new Agreement was signed with the trade unions, providing for 33 resources to access the Solidarity Fund (i.e. the Group's voluntary redundancy scheme) that gives the possibility to interested employees, who will become eligible for pension in the next few years, to voluntarily terminate their employment early receiving incentives.

This important agreement, which was executed in favour of those that had applied for joining the Fund in 2016 and that had had their application rejected, as there were no more places available, is intended to give yet another opportunity of early termination of employment to all those that qualified back then but could not complete their voluntary termination.

In accordance with the July 2019 Agreement, also 10 Senior Managers have the possibility to join the Fund in the December 2019 – July 2021 time bracket.

Furthermore, in April 2019, 70 employees exited, completing the batch provided for by the 2018 Voluntary Redundancy agreement, while 30 new graduates were recruited and onboarded both in the Network and in Central Structures, thus continuing to pursue the generational turnover objective.

Remuneration Policies

The guidelines and directions at the basis of the Group remuneration policy are set by the Parent Company Crédit Agricole in order to ensure shared and consistent management at a global level; such guidelines and directions are then adopted by the Crédit Agricole Italia Banking Group that adjusts them to its own reference scope, also in compliance with the applicable Italian legislation, and submits them to the Board of Directors of each entity (for Crédit Agricole Italia on 26 March 2019) and, then, to the single General Meetings of Shareholders of the Group's Banks for final approval (for Crédit Agricole Italia on 30 April 2019).

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

- **Recognition of merit,** adequately rewarding personal contributions expressed in terms of performances, behaviours and enacted values. Individual contributions are measured in several ways and at several levels, through structured assessment processes, aimed also at ensuring fair treatment – both internal and external. The remuneration policies aim also at recognizing and rewarding team work and sense of belonging. Merit-based and fair remuneration policies ensure also adequate attraction and retention levels. Specifically, the fixed remuneration component increases in accordance with dedicated merit-based actions, in close correlation with the responsibilities managed and empowerment level reached, with the ability to continuously replicate performances over time (performance stability) and with the development of distinctive skills. Merit-rewarding initiatives are promotions (a higher job position) and pay increases, which may concern the fixed or the variable remuneration component (the latter being linked to profitability indicators, appropriately adjusted for risk, as well as to the set capital and liquidity gates) or both;
- **Attention to risk and compliance with the applicable legislation,** consistently with the Group's Risk Appetite Framework (RAF) and with its risk management and governance policies, setting the preliminary conditions to access incentive systems and conditions and limits to ensure that the variable remuneration total amount does not affect capitalization and is adequate to the risks taken. The remuneration policy has been designed in order to foster compliance with the overall framework consisting of the applicable legislation, regulations and the Bank's Articles of Association, as well as with the Code of Ethics and the Code of Conduct. It shall take account of the cost and of capital and liquidity levels required to handle the undertaken operations and shall be structured in order to prevent any incentives conflicting with the entity's interests in a long-term perspective;
- At a general level, the Group's remuneration policies have been designed to prevent that the performances of its personnel be assessed with methods that are incompatible with the duty of working in the Customers' best interests; furthermore, they are informed by criteria of fair relationships with Customers, control of legal and reputational risks and of Customer protection and retention. Specifically, the Group does not lay down policies or rules that might incentivize its personnel to recommend any financial instrument to Retail Customers, if the investment undertaking can provide a different instrument that is more suitable to meet the individual Customer's needs, or incentivize the sale of products that are not adequate for the Customers' financial needs;
- **Affordability of the remuneration and incentive systems,** setting a relationship between labour cost and expected and actual performances, in order for that relationship to ensure essential "self-funding" of the variable remuneration systems, as well as affordability and balance in income and financial terms, in the short, medium and long term, while being always consistent with the relevant market practices;
- **Competitiveness,** through constant reference to the market, also with the support of tools designed to analyze and measure work positions by specialized companies providing reference benchmarks for each type of position, company size and market, in order to attract and retain the best managerial and professional resources in the market.

The Remuneration Policies of the Crédit Agricole Italia Banking Group for 2019, which were prepared also in agreement with the Parent Company Crédit Agricole S.A., were amended and made compliant also with the new developments in the 25th update of Bank of Italy Circular no. 285/2013, which was published on 23 October 2018. More specifically, the Group's Remuneration Policies have implemented the new regulatory developments, also concerning: the new obligations lying with the "Identified Staff", the definition of "Top Staff", payout and paymix rules, the variable remuneration structure, the need to strengthen the link between the Risk Appetite Framework ("R.A.F.") and the incentive systems, the provisions regarding golden parachutes, non-competition agreements and agreements for prior notice extension, the malus and clawback clauses and the self-assessment process to determine the "identified staff".

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

Internal Customer Satisfaction

Being implemented since 2018, the Internal Customer Satisfaction (ICS) process is carried out in cooperation with the Doxa Company, as the one for the Customer Recommendation Index (CRI).

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

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

Since 2019 the survey, which was previously addressed to Function Holders only, has been extended to all Central Department Staff of the participating structures, in order to:
- Provide colleagues with year another opportunity to voice their opinion;
- Make assessments event more objective;
- Build a strong assessment culture in the Firm.

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

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

FINANCE

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

The objectives regarding the management of interest rate risk, consistently with the past, concerned the hedging of the Group cumulative exposure by Bank, achieving significant protection of profitability, as substantiated, also for 2019, by the contributions to the Income Statement of the stock of existing hedges.

As regards liquidity, the implemented refinancing strategies continued to pursue source diversification, with alternative funding sources found in the Covered Bonds market and access to EIB funds. On the other hand, through progressive repayment, the portion consisting of TLTROs II was further rationalized.

In March 2019, the Group issued Covered Bonds for Euro 1,500 million (of which CBs for Euro 750 million subscribed by institutional investors with 8-year maturity and self-held CBs for Euro 750 million with 5-year maturity). In this scope, thanks to the issue in the market, funding could be further stabilized at reasonable costs diversifying maturities over time.

In January 2020, the Group went again to the market with a new dual-tranche issue of Covered Bonds with 8-year and 25-year maturities for Euro 500 million and Euro 750 million, respectively. The 25-year maturity tranche was the issue of covered bonds with the longest maturity ever offered in Italy.

As regards capital management, consistently with the directions given by the Controlling Company Crédit Agricole S.A, in 2019 the Parent Company Crédit Agricole Italia issued a Tier 2 subordinate instrument for Euro 80 million.

Finally, in December 2019, Crédit Agricole Italia issued Senior Non-Preferred debt instruments totalling Euro 440 million.

Financial activities are subject to the approval, control and coordination of the Board of Directors of the Parent Company Crédit Agricole Italia.

Benchmark Reform

As a user of critical indices, the Crédit Agricole Group is fully aware of the importance of indices used as benchmarks (for short benchmarks) and of the challenges resulting from changes therein within the reforms underway.

The "Benchmarks" Project of the Crédit Agricole Group, underway also in the Crédit Agricole Italia Banking Group, coordinates the transition of benchmarks for the Group and oversees compliance of all its Entities with Regulation (EU) 2016/1011 (the so-called Benchmarks Regulation or BMR).

The Project provides for specific works aimed at identifying and analyzing the impacts generated by the Benchmark Reform; in particular, all exposures and contract linked to benchmarks that may or will be replaced were mapped.

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

Having regard to the transition from EONIA to €STR, the terms have been set by the "Working Group on Euro Risk-Free Rates" for which the ECB provides the secretariat: EONIA will be discontinued after 3 January 2022, date on which it will published for the last time.

As regards the other benchmarks, specific Working Groups continue, with support from the Authorities, their activities to identify benchmark interest rates replacing discontinued ones and calculated starting from Risk-Free Rates (RFR) and/or to define fall-back clauses to be included in contracts. Market associations, such as ISDA and LMA, are also working towards the same goals. For the time being, works are still underway.

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

RISK MANAGEMENT

Objectives and policies on risk taking, management and hedging

1.1 SUMMARY OF THE SYSTEM, PERIMETER AND ROLES

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

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

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

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

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

The Group's main Committee in charge of the specific risk scopes is the Risk and Internal Control Committee that performs coordination of roles and structures engaged in control functions (Internal Audit, Compliance, Risk Management and Permanent Controls), as well as the internal control system as a whole, in accordance with the procedures implemented by Crédit Agricole at Group level; it examines and approves risk management guidelines, expresses opinions on the specific Risk Policies submitted to the Board of Directors for approval and resolves on any proposals made by the operational working groups, which all matters that are specific to the different risks are referred to;

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

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

The Audit Committee for Internal Control also verifies whether the incentive system implemented by the Bank is consistent with the applicable legislation.

1.2 RISK APPETITE FRAMEWORK

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

- A conservative risk profile on all the main financial risks, with special focus on keeping its exposure to market risk modest;
- Strict oversight on exposure to operational risk;
- A system of controls aimed at controlling non-compliance risk (identified and monitored);
- Careful measurement of risk-weighted assets;
- Integrated management of the Group's assets and liabilities.

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

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

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

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

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

In 2019, the set of documents regarding the Group's Risk Appetite Framework was updated; specifically, in terms of Governance, the following items were revised:
- The RAF Policy, which defines the RAF scope of application, the process to determine and monitor the thresholds, in order to ensure consistency between the Group's operations, complexity and sizes;
- The Policy on the Most Relevant Transactions ("Operazioni di Maggior Rilievo", MRT or with the Italian acronym OMR), which sets forth the methodological approach and the operational aspects of the MRT management process, including the related identification criteria in order to ensure full compliance with the applicable legislation;
- The Stress Test Policy in accordance with CA.sa. guidelines. The Policy sets forth the annual Stress Test programme of the Group, the Governance and the responsibilities of the various players involved and any improvement areas/points scheduled in the year;
- The Risk Appetite Statement ("RAS"), which sets forth the Risk Management and Governance process, the roles played by the Group's bodies engaged in management and control functions and the map of material risks. This document also reports the quantitative ratios/indicators expressing the main risks the Group is exposed to, along with exhaustive description of the logic behind the determination of RAF thresholds and limits. For qualitative risks, the document sets forth the control processes and mitigation tools implemented by the Group.

In 2019, the Group performed its regular process for the identification of material risks, based on the setting received from the Controlling Company Crédit Agricole SA and consistently with the ICAAP document and with the Internal Control Annual Report (ICAR or with the Italian acronym RACI) identifying 14 material risks, classifiable in the credit risk, financial risk, strategic risk, operational risk and non-compliance risk macro-categories.

In general terms, the Risk Appetite Framework of the Crédit Agricole Italia Banking Group is structured as follows:
- Risk Appetite (risk objective or risk appetite): level of risk (overall and by type) that the Group is willing to take in order to pursue its strategic objectives;
- Risk Tolerance (tolerance threshold): maximum allowed deviation from the Risk Appetite; the tolerance threshold has been set in order to ensure that, in all cases, the Group has sufficient margins to operate, also in stress scenarios, within its risk capacity;

- Risk Capacity (maximum risk that can be taken): the maximum level or risk that the Group is technically able to take without violating any regulatory requirements or other restrictions laid down by its Shareholders or by the Supervisory Authority;
- Risk Profile: the risk actually taken, as measured at a given point in time;
- Risk Limits: the structuring of risk objectives into alert thresholds and operational limits, set in accordance with the proportionality principle, by types of risk, business units and/or lines, product lines, types of Customers.

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

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

In 2019, the Risk Appetite Framework was strengthened with the inclusion of Compliance and Information Technology (IT) indicators.

2. RISK MANAGEMENT AND HEDGING

Credit Risk

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

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

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

The quality of the loan portfolio is subject to systematic monitoring, both in terms of the portfolio as a whole, i.e. its composition, in accordance with the adopted risk measurement parameters (internal rating system, early warning indicators, other performance-monitoring indicators), and 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 actions to restore them to performing 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 to mitigate this risk, whose rules and processes are exhaustively laid down in the internal normative instruments.

Having specific regard to collecting and managing guarantees, close attention is paid to the rules and procedures to monitor constant compliance with the requirements set by the system-specific legislation (legal certainty, prompt realization and consistency of their value with the exposure).

IRB/Basel II advanced approach

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

The exposures coming from the subsidiary Crédit Agricole Carispezia, which was merged by absorption into Crédit Agricole Italia in 2019, are still being rated with the standardized approach, pending the new validation of the AIRB models for the Retail Portfolio by the ECB, whose audit is expected in 2020.

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

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

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

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

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

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

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

Interest Rate Risk and Price Risk of the Banking Book

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

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

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

In 2019, the hedging of interest rate risk continued using derivatives, namely Interest Rate Swaps and Interest Rate Options. Fixed-rate securities recognized as assets have been hedged (micro-hedging), as have the issued Covered Bonds, mortgage loans with cap to Customers (macro-hedging) and interest rate gaps detected by the internal model, which have been subject to macro hedging.

The investment portfolio, comprising the HTC and HTCS business models and held for Liquidity Coverage Ratio (LCR) purposes and to support net interest income, consists of Italian Government Securities with modest average duration, for amounts that have been set down by the Risk Committee of the CAsa Group and approved by the Boards of Directors of the Parent Company and of its Subsidiaries. The securities that have been classified as HTCS have been hedged against interest rate risk.

Assets at fair value comprise securities and fund units mainly coming from the absorption of the Fellini Banks, having immaterial book value and recognized based on a held-to-sell management model.

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

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

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

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

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

Liquidity risk

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

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

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

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

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

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

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

As at 31 December 2019, the Group Liquidity Coverage Ratio (LCR) was 204%, once again firmly above the set compliance requirements.[10]

Market risk of the Trading Book

Market risk results from the exposures on the Supervisory Trading Book. The entities of the Crédit Agricole Italia Banking Group do not typically engage in proprietary trading on financial markets and, therefore, the trading book mainly comprises positions from placing and trading financial Instruments. Trading activities are ancillary and intended to meet Customers' needs.

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

The sale of derivative products to ordinary Customers by the banking entities of Group outside regulated markets (i.e. the sale of OTC derivatives) is made through a specialist team and for the only purpose of meeting Customers' operational requirements. Intermediated derivatives are hedged back-to-back with a mirror transaction, in order to be immunized from market risk. Furthermore, ISDA netting agreements with the relevant Credit Support Annexes (CSA) are signed for the exchange of collateral with the Financial Institutions the Group mainly operates with, in order to mitigate its exposure to counterparty risk. Since 2017, the main counterparty of all new transactions has been CACIB, a financial company belonging to the Crédit Agricole Group.

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

Operational Risks

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

10 Since 1 January 2018, the minimum requirement on an individual basis has been set at 100%.

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

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

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

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

- Operational Risk Manager (ORM or with the Italian acronym MRO), who is responsible for reporting the presence of actual and potential risks in the various corporate structures and for coordinating the implementation of permanent controls;
- Control on Outsourced Important Operational Functions/Provision of Outsourced Essential Services (Italian acronyms FOIE/PSEE), on Physical Security and on the Business Continuity Plan (BCP or with the Italian acronym PCO);
- PRSI (Pilote des Risques SI), in charge of monitoring and control of IT risks on the Information System;
- CISO (Chief Information Security Officer), who is responsible for the security of corporate information;
- Information Security Manager (ISM): who is responsible for the implementation and management of the Information System operational security;
- Business Continuity Manager (BCM), who is responsible for the Group's Business Continuity Plan;
- Persons in charge of Controls, within the Distribution Network structures, with the task of performing 2nd degree 1st level permanent controls;
- Structures, systems and tools, instrumental for proper risk control and for the management of mitigation/ improvement actions, including:
  - The Risk and Internal Control Committee, which is described above;
  - The reporting system in place for permanent controls on the Distribution Network, together with early warning indicators, aimed at detecting any irregular situations;
  - Improvement Work Groups, meetings with the Branches that showed problems in the outcomes of permanent controls, of inspections carried out by the Internal Audit Department and in other verifications; during such meetings, together with the heads of the Retail Banking Areas, the problems detected are analyzed and an action plan for improvement is prepared.
  - The interfunction Work Group on Outsourced Important Operational Functions/Provision of Outsourced Essential Services (Italian acronyms FOIE/PSEE), having the task of monitoring and making decisions on any problems regarding the outsourcing of functions that are defined as "essential or important" in accordance with the applicable Supervisory rules;

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

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

RISKS AND UNCERTAINTIES

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

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

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

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

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

As reported in Part A – Accounting Policies, Section 2, the Covid-19 pandemics is an uncertainty factor in the future macroeconomic scenario in which the Group will operate.

3. INTERNAL CONTROL SYSTEM

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

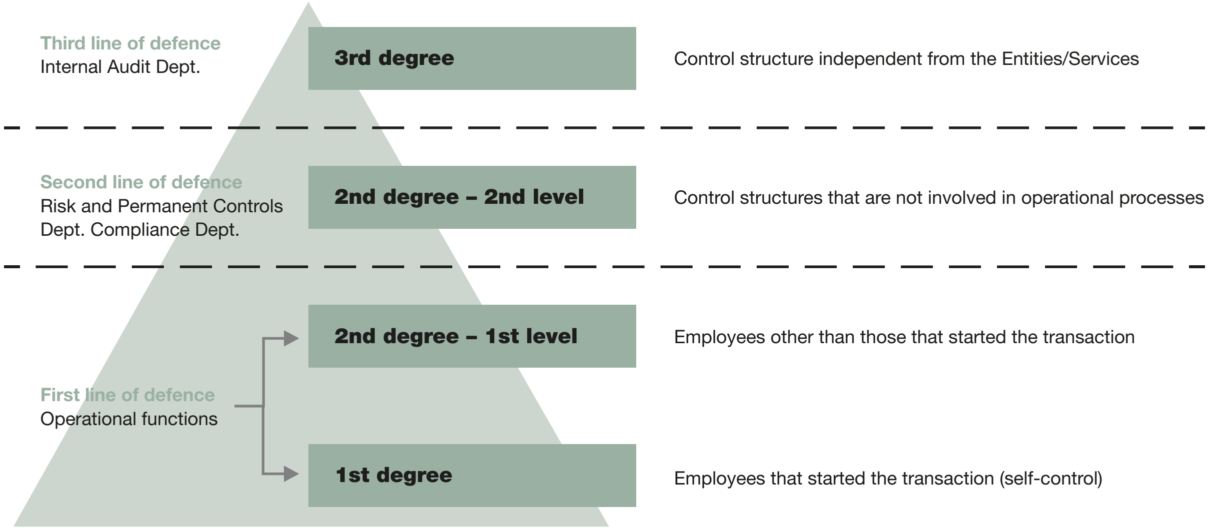
- Constant control of risks;
- Adequacy of the control activities to its organizational structure;
- Ensuring reliability, accuracy and promptness of reporting.

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

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

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

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



In accordance with the guidelines issued by the Parent Company C.A.sa, the Permanent Controls System is structured as follows:

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

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

The Internal Control Arrangement also comprises 3rd-degree periodic controls, which are performed by the Internal Audit Department.

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

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

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

INTERNAL AUDIT

The Internal Audit Department is independent of any operational, executive and decision-making structure or role entailing risk-taking. The Head of the Internal Audit Department (Chief Audit Executive CAE) reports to the Internal Audit Department of the Controlling Company Crédit Agricole S.A. and to the Chief Executive Officer of Crédit Agricole Italia.

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

The Internal Audit Department:

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

OTHER INFORMATION

SHARE CAPITAL INCREASE

On 16 November 2018, the Boards of Directors of Crédit Agricole Italia S.p.A. – Parent Company of the Crédit Agricole Italia Banking Group – and of its subsidiary Crédit Agricole Carispezia approved the plan for the merger by absorption of Crédit Agricole Carispezia into Crédit Agricole Italia pursuant to Articles 2501-ter and 2505 of the Italian Civil Code. On 12 February 2019, the ECB authorized this combination.

On 26 February 2019, the Extraordinary General Meeting of the Shareholders of Crédit Agricole Italia S.p.A. resolved a share capital increase, for a consideration and ruling out option rights, pursuant to Article 2343-ter, paragraph 2, letter b), Article 2440 and Article 2441, paragraph 4 of the Italian Civil Code, of a nominal amount of Euro 16,539,731 through the issue of 16,539,731 ordinary shares having a nominal value of Euro 1.00 each, exclusively intended for the subscription of Fondazione Cassa di Risparmio della Spezia, to be paid in through a contribution in kind of the 33,079,463 shares held by Fondazione Cassa di Risparmio della Spezia into Crédit Agricole Carispezia S.p.A., representing 18.5% of the latter's share capital

On 21 July 2019, Crédit Agricole Carispezia, a consolidated subsidiary since 2011, was merged by absorption into Crédit Agricole Italia S.p.A., its controlling company holding 100% of the subsidiary's share capital. The accounting and tax effects of the merger were backdated to 1 January 2019.

Subsequent to the exercise of warrants on shares of the former Cassa di Risparmio di Cesena S.p.A., which it had issued within its share capital increase on 23 September 2016, another 21,411 shares in Crédit Agricole Italia S.p.A. were issued having a nominal value of Euro 1.

As at 31 December 2019, the share capital amounted to Euro 979,233,295.00.

MERGER OF REAL ESTATE COMPANIES

In December 2019, the mergers by absorption into Crédit Agricole Italia S.p.A. of its fully-owned real estate subsidiaries Unibanca Immobiliare S.r.l., Carice Immobiliare S.p.A. (formerly subsidiaries of Cassa di Risparmio di Cesena) and San Genesio Immobiliare S.p.A. (formerly a subsidiary of Cassa di Risparmio di San Miniato) were finalized. These mergers essentially aimed at streamlining the Group's structure, at rationalizing its operational processes and at the subsequent reduction of its operating costs. Please, see paragraph 6 for more exhaustive reporting. Further information is given in the Note to the Financial Statements Part A – Accounting Policies.

ISSUE OF SENIOR NON-PREFERRED DEBT INSTRUMENTS

In December 2019, Crédit Agricole Italia issued senior non-preferred debt instruments for Euro 440 million, which were subscribed by Crédit Agricole S.A.

They are bonds with ordinary features, which, in the hierarchy of liabilities, rank junior to other unsecured debt instruments, but senior to subordinated bonds.

VALERY PROJECT

In 2019, the last tranche of bad loans amounting to Euro 83.1 million (net amount of Euro 7.1 million) was sold, completing the Valery project, which started in 2018 in order to reduce the NPL stock through market transactions.

DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

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

DISCLOSURE ON ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In the year, no atypical or unusual transactions were carried out whose size or features might have jeopardized or affected the protection of corporate assets and the interests of shareholders.

RESEARCH AND DEVELOPMENT

No research and development activities were performed in the year.

PERFORMANCE OF THE CONSOLIDATED COMPANIES

THE PERFORMANCE OF CRÉDIT AGRICOLE FRIULADRIA OPERATIONS

Crédit Agricole FriulAdria is subject to the management and coordination of Crédit Agricole Italia, which holds 81.46%[11] of its share capital, while the remaining portion is publicly held.

In the 2019 financial year, the Bank's net income came to Euro 66.4 million, increasing by 8.1% vs. the previous year, the best performance ever achieved.

Net operating income came to Euro 315 million (down by -3%) and was affected by the decrease in net interest income and by the profit (loss) from banking activities, partly offset by the increase in net fee and commission income (up by +2%).

Thanks to the decrease in operating costs (down by -4%), in the cost of credit (down by -23%) and in provisions for risks and charges, profit before tax came to Euro 101 million, up by 11%.

Loans to Customers (excluding securities measured at amortized cost) came to over Euro 7.7 billion (up by +3%); the growth in loans was achieved while constantly focusing on credit quality, as substantiated by the modest weight of gross non-performing loans on total loans (5.7% as the gross amount and 2.3% net of adjustment provisions).

Direct funding came to Euro 8.1 billion (up by +2.3%) with the new inflows mainly on current accounts (up by +3.2%). Indirect funding came close to Euro 8 billion (up by +7.1%) increasing by Euro 531 million, mainly driven by the success with Customers of the insurance products supplied by the Group.

11 Figure as at 31 December 2019.

Equity, including the profit for the period, came to Euro 660 million (up by +3.8%).

As at 31 December 2019, the Bank's personnel consisted of 1,406 people. The distribution network consists of 164 Retail branches, 14 Small Business Centers, 5 Private Banking Markets, 8 Corporate Banking Markets, 1 Large Corporate Center and 33 Financial Advisors.

THE PERFORMANCE OF CRÉDIT AGRICOLE GROUP SOLUTIONS OPERATIONS

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

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

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

Operating expenses incurred in 2019 came to Euro 278 million, increasing by Euro 10 million vs. the previous year; this increase mainly regarded the depreciation/amortization component due to the entry into force of IFRS16 and the investment plan provided for by the 2017-2020 MTP.

HR costs came to Euro 56.2 million (accounting for 20% of total expenses) and increased by Euro 3.6 million VS. 2018. That increase mainly resulted from a higher number of resources seconded to the Consortium by Crédit Agricole Italia subsequent to the absorption of the three Banks finalized in 2018, which determined an increase in the Consortium's workforce, as well as for lower capitalized costs, which, in 2018, were impacted by the migration of the three merged Banks.

Administrative expenses came to Euro 150.3 million, essentially represent the costs borne for the provision of services by the Consortium to the other Companies of the Group and account for the largest part of operating expenses (54%). Operating expenses increased in both the IT and property/logistic segments, subsequent to the inclusion in the served perimeter of the Fellini Banks' network. The above-reported increase was more than offset by the no longer incurred integration expenses, which, in 2018, amounted to Euro 15.5 million.

Depreciation and amortization came to Euro 71.7 million, up by Euro 9.9 million (+16%) vs. the previous year; this increase reflects the entry into force of IFRS 16, as well as the investment plan implemented in 2016 (Euro 81 million), in 2017 (Euro 70 million), in 2018 (Euro 74million, of which Euro 22 million for the integration of the 3 Fellini Banks) and in the reporting year (Euro 75 million).

Since the Consortium operates on a not-for-profit basis, all expenses borne for service provision were fully reallocated to the Consortium members and, consequently, the Income Statement for 2019 broke even.

THE PERFORMANCE OF CRÉDIT AGRICOLE LEASING ITALIA (CALIT) OPERATIONS

In 2019, the Italian finance lease market was deeply impacted by the political and economic uncertainty, which negatively affected business investments and, consequently, the new lease production. The reporting period closed with a 8% decrease in financed volumes and a 11% decrease in the number of transactions (Source Assilea).

If long-term car leases and operating leases of capital assets are included in the analysis, the performance of the Italian market improves, with new production decreasing YOY by -3% in terms of volumes and by -2% in terms of number of contracts (Source Assilea).

In that unfavourable scenario, CALIT proved able to make the most of the opportunities resulting from its belonging to the Crédit Agricole Group and to propose more efficient lease solutions to meet Customers' needs, also seizing the advantages from the measures issued to support the real economy (super-depreciation and hyper-depreciation and the Sabatini TER Act, which are incentives available to Customers that have leases in force). The Company's business performance showed new production coming to Euro 638.4 million in terms of volumes, stable vs. 2018 (up by +0.2% YOY), and 3,985 new contracts (up by +1.2% YOY), outperforming, in 2019, the all-time record achieved in 2018.

The Company's 2019 new production can be broken down as follows: equipment (60%) and motor-vehicles (13%) together accounted for 73% of new leases, while real estate leases accounted for 20%, with smaller contributions from the aircraft, boat and train segment (6%) and the renewable energy segment (1%). The Company continued its repositioning towards higher quality production, with lower average contract values and shorter average duration.

Furthermore, the "vendor lease/operating lease" project was completed, whereby, to the traditional and prevailing banking channel and finance leases, a new distribution channel and a new products were added, which are less dependent on economic policies and are expected to strengthen the relationships with the best Corporate Customers of the Group (selecting vendors on a priority basis among them) and to generate acquisition and cross-selling opportunities for the Group.

Gross loans came to Euro 2.03 billion: performing loans increased, coming to Euro 1.84 billion (up by Euro 57 million, i.e. +3%) while non-performing decreased, coming to Euro 193 million (down by Euro 4 million, i.e. -2%). The weight of non-performing loans came to 9.5%, decreasing vs. 2018 (down by 0.4%) and constantly below the market figure by more than 50% (20.8% – the latest available data are as at 30 September 2019).

In terms of profit or loss, CALIT achieved its second best net profit figure, which, coming to Euro 6.4 million, is lower by -4.5% vs. the 2018 net profit.

Revenues came to Euro 31.4 million, down by -6.5% YOY, with lower net interest income (down by -4.8%), because of the lower average return on the portfolio (interest rate effect), which was only partially offset by the increase in volumes, and with lower "service markup" (-16%). That element reports recurring and typical revenues from leasing transactions (up by Euro 0.3 million, i.e. up by +7.9% YOY), gains for early repayment (down by Euro 0.6 million, i.e. -31%), income from proactive management of properties in the remarketing phase (up by Euro 0.4 million, i.e. + 65%), expenses incurred for the recovery, restoration and sale of returned leased assets (up by Euro 0.2 million, i.e. +7.7%) and finally non-recurring revenues (down by Euro 0.8 million YOY).

General expenses came to Euro 10.7 million, up by +6.8% YOY. Administrative expenses were stable vs. the previous year, with higher personnel expenses (because new resources were recruited in the second half of 2018 and in the last part of 2019) and higher depreciation and amortization (investments for constant development of the Company's information system depreciation of "non-operating" property, coming from settlements with customers to close non-performing leases).

The cost of risk came to Euro 11.4 million, down by -18.6% YOY.

As regards Capital Ratios, the CET 1 Capital ratio came to 5.88% and the Total Capital ratio to 7.36% (which compare with minimum requirements of 4.50% and 6.00%, respectively).

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

	31.12.2019	
	Equity	of which: Net profit for the period
Parent Company's balances	**6,389,145**	**302,571**
Effect of consolidation of subsidiaries	54,651	55,558
Effect of the equity method accounting of significant equity investments	-	-
Dividends received in the period	-	-44,060
Other changes	-	-
Consolidated account balances	**6,443,796**	**314,069**

OUTLOOK

SIGNIFICANT EVENTS OCCURRED AFTER THE REPORTING DATE

As regards the Crédit Agricole Italia Banking Group, it is reported that, from 31 December 2019 to the date of approval of this Report, no events occurred which could generate significant changes in the structure of the Crédit Agricole Italia Banking Group and in its profit (loss) for 2019.

On 30 January 2020, the World Health Organization (WHO) declared the outbreak of COVID-19 a Public Health Emergency of International Concern and its spreading is causing the slow or interruption if the economic and business activities in many sectors. This international Health Emergency is causing uncertainties on the consequences of possible impacts on the economy generated by the coronavirus spread worldwide, in Europe and in Italy. Those uncertainties depend especially on the outbreak duration and on the measures implemented to contain it; therefore, the forecasted scenarios reported for 2020 are expected to show changes and developments that, for the time being, cannot be quantified.

Please, refer to the paragraph below "Macroeconomic and banking outlook for 2020", for more exhaustive information.

The publication of the 2020 Annual Report and Financial Statements was authorized on 6 April 2020.

MACROECONOMIC AND BANKING OUTLOOK FOR 2020

The recent developments in the spread of COVID-19 have caused the need to revise all the macroeconomic and banking forecasts.
Based on the information available to date, in 2020 a recession in the world economy is expected with the GDP down by -1.6% (source Prometeia, Forecast Report - March 2020).
As regards Italy, for which, at present, no accurate data are available, the 2020 GDP is expected to decrease by -6.5%, with a larger downturn vs. the Euro Area, which, on average, is expected to slow down by -5.1%. Italy was the first European country hit by the pandemic and, therefore, an emergency response plan had to be prepared from scratch.
Moreover, Italian public finance is affected by elements existing before the pandemic and regarding its high public debt vs. those of its Euro Area partners; therefore, in Italy the economic response will be more cautious and gradual. It is expected that the worst affected sectors will be tourism (down by -27%), art and sport activities (down by -17%) and transport (down by -15%).

Given the complexity of the economic scenario and the forthcoming international recession, the individual States have taken action with monetary and fiscal measures, as have central banks, which are deploying unprecedented measures to try and limit the damage to the financial intermediation sector. The European Central Bank and the Single Supervisory Mechanism have deployed measures supporting the liquidity of banks and businesses, and loosening prudential rules: suspension of the EU stability pact, extension of Quantitative Easing, new conditions for TLTROIII and the introduction of the Pandemic Emergency Purchase Programme. The United States also took action with the Federal Reserve, which, after taking interest rates to zero, has arranged for potentially unlimited Quantitative Easing.

Moreover, rating agencies are analyzing the banking system, given the impact on the real economy of the economic shock (lockdown, suspension of business and production activities and quarantines) which is penalizing especially the service sector, which is the sector featuring higher employment and added value. Specifically, Moody's has revised the system outlook from stable to negative, for both the Italian banking system and for those of five other European Countries: France, Spain, Denmark, the Netherlands and Belgium; whereas the outlooks for Germany and the United Kingdom have remained negative. This revision is based on forward-looking worsening in asset quality, profitability and capital ratios. Specifically, despite the supporting measures deployed by the Italian Government and by the ECB, the agency expects an increase in non-performing loans and in the cost of risk, with direct consequences also on profitability. Capital ratios will be affected by the increase in the spread on sovereign debt securities held, and the high volatility of markets, albeit reduced by the measures deployed by the ECB, which has however ensured wide support to liquidity, could make access to financing difficult.

In a forward-looking perspective, after the end of the global health emergency, the situation is expected to gradually return to normal starting from 2021, a year in which, for the arithmetic effect, the YOY average growth will be higher than usual in the individual Countries but, very likely, it will not be able to fully offset the 2020 downturn.

This uncertainty on financial markets has triggered volatility in stock markets, with the subsequent decrease in stock prices, which decreased by over 40% between February and March; this effect was then partially mitigated by the monetary policy measures deployed by the authorities, especially the EU and USA ones, in mid-March 2020.

Sinking confidence in the financial markets, along with slowdown in manufacturing and lower exports, contributed to the downward revision of the estimated economic growth at a global level, at least in the short term. Furthermore, the limitations imposed by Governments and the spread of contagion have considerably affected households' propensity to consume, fuelling the economic instability climate, with negative effects especially on small and medium enterprises.

These events generated also an increase in the BTP-Bund spread, which, in mid-March, came to over 300 bps. In this scenario, the ECB took action twice to foster the banking industry's integrity, promoting very favourable financial conditions. These actions had an immediate decreasing effect on the spread.

It is reasonable to expect that the global situation generated by the pandemic will entail, for the banking system, the worsening of profitability from core business operations and possible deterioration of credit risk, whose extent, however, will depend on the duration and severity of the economic recession underway. However, the actions to strengthen the capital and liquidity position of the banking system, which were implemented in the years after the 2008 crisis, have improved the system's capacity to respond to market turbulence.

To mitigate the aforementioned impacts, in March 2020, the EU and national authorities announced considerable actions in the legislation aimed at ensuring the ability to maintain the necessary financial support to the real economy, facilitating the suspension of loan repayment instalments and for support to working capital in favour of households and SMEs; these initiatives have added to the measures deployed by the ECB in the scope of its ordinary and extraordinary actions within its monetary policy mandate.

Among the monetary policy measures deployed by the ECB, worth mentioning is the new Quantitative Easing Programme for Euro 750 billion called Pandemic Emergency Purchase Programme (PEPP), which provides for the purchase by the ECB of financial assets issued by the individual States and by private issuers.

The ECB response included also relief measures as regards regulatory capital and operations, such as the possibility to temporarily operate with capital below the minimum regulatory thresholds and the utmost flexibility will be ensured in discussing with banks the implementation of the strategies to reduced non-performing loans.

Furthermore, the European Banking Authority decided to postpone the stress tests scheduled for 2020 and 2021.

The actions deployed by the ECB, EBA and IASB, within their respective scopes but coordinating with one another, have also been significant as regards expectations in terms of impacts on the capital and financial situation of banks generated by the Covid-19 pandemic; among these and very briefly, the ones listed below are very relevant:
- For exposures with state guarantee, within the response to the Covid-19 pandemic, some flexibility measures have been deployed as regards the classification of loans as Unlikely to Pay;
- It has been clarified that general moratoria addressed to all borrowers do not lead to any automatic classification as forbearance measures for prudential and accounting treatment and that they are not in themselves evidence of significant increase in credit risk;
- As regards the estimates of expected losses (ECL – Expected Credit Losses) banks are invited to give a greater weight to long-term forecasts in their models; to this end the ECB announced the release of updated macroeconomic scenarios; for these estimates, both the presumably temporary nature of the effects generated by the pandemic underway and the positive impact resulting from the implemented economic support measures shall be taken into account.

Among the important economic measures deployed to handle the crisis, worth specific mentioning is Italian Decree Law No. 18 of 17 March 2020, (the so-called "Cure Italy" decree) introducing measures: to support employment and workers for employment and income protection, such as the use of the wage guarantee fund departing from standard rules and extended to Italy as a whole or the relief contribution of Euro 600 a month for self-employed workers and freelancers; to support credit, including, especially for households, micro, small and medium enterprises, a moratorium on repayment of mortgage loans and other loans and the strengthening of the Central Guarantee Fund, with wider and easier access to it, as well as the introduction of a counter-guarantee mechanism for banks, provided by Cassa Depositi e Prestiti, aimed at extending credit also to medium-large enterprises that have been impacted by the crisis, and the incentive to dispose of non-performing loans (NPL) through the conversion, within certain limits, of deferred tax assets (DTA) in tax credits for financial companies and manufacturing corporations; fiscal relief measures, such as the suspension of some obligations to pay taxes, levies and contributions, and the deferral of the terms of some tax payments.

The Italian Government also announced other measures that will give another considerable contribution to handling the crisis.

The Crédit Agricole Italia Banking Group has given concrete contributions in various areas with the following actions:

- To households residing in the first “red zone”, providing them with the possibility to suspend payment of home loan instalments;
- To businesses based in the first “red zone”, the same municipalities, providing them with the possibility to obtain suspension of payment of instalments for unsecured loans and mortgage loans, as well as suspension of finance lease payments;
- To hospitals in the communities where it operates, with the purchase of assisted ventilation machines, together with its Banking Foundations;
- To the Italian Red Cross, with a donation of Euro 1 million, made together by Agos, Crédit Agricole Italia, Amundi, Crédit Agricole Vita, CA Assicurazioni and the other companies of the Group. The Italian Red Cross will set up a camp hospital with all the necessary equipment, and will also buy ambulances and special vehicles for medical and emergency transportation;
- Launch of a fundraising campaign on CrowdForLife (www.ca-crowdforlife.it), the crowdfunding platform of the Crédit Agricole Italia Banking Group, where the Group’s employees, customers and anyone else can contribute to raising funds for the Italian Red Cross.

The macroeconomic and banking outlook for 2020 is based on forecasts made before the Coronavirus outbreak. Material factors for any assessment of the effects of the Covid-19 pandemic on the economy are its duration and the measures implemented to contain it; therefore, the forecasted scenarios reported for 2020 are expected to show changes and developments that, for the time being, cannot be quantified and that may overturn the reported evidence and considerations. For more in-depth analysis, please see Part A of the Note to the Financial Statements, Section 4 - Events occurred after the reporting date.

The expected macroeconomic outlook is described below based on the available and published information for 2020, and must be read together with the considerations set out in the previous paragraph.

MACROECONOMIC SCENARIO[12]

Sharp slowdown in global growth is expected to be prevented thanks to the support given by economic policies, which, however, are starting to have smaller and smaller margins to support the economy in case of difficulties. Some risk factors, such as the USA-China tensions, are expected to be lower, albeit temporarily. However, the ongoing weakness in world trade is affecting the economic recovery outlook. According to forecasts:

- In the **United States**, the difficulties being experienced in the manufacturing industry, with decreases forecasted also in the first months of 2020, as going to contribute to the slower pace of GDP growth, which is expected to be +1.7%2, vs. +2.3% in 2019. The support provided by the economic policy, both monetary and budgetary, will prevent recession, but the weakness in the world economy and the uncertainty on the developments in the trade policy will continue to negatively impact on the growth outlook. Despite the new trade deal signed in early 2020, the USA-China political confrontation will remain open on some matters, such as those regarding technological supremacy, for quite a long time. The recent tensions between the USA and Iran may have economic consequences, causing oil prices to rise and affecting also the delicate balance that markets seemed to have reached. The United States presidential election is scheduled for November 2020 and its outcome will generate implications for the US foreign and domestic policy;
- In the **Emerging Countries**, economic growth is expected to remain overall modest. In a scenario of weak world growth, also because of the expected slowdown in the US economy, the GDP of Brazil is expected to grow by +1.6% (vs. +1.1% in 2019), driven by higher consumption. The reforms implemented in 2019 are expected to contribute to creating a more favourable environment for larger investments, output and consumption. In Russia, the GDP is expected to grow by +1.5%, at a slightly faster pace vs. +1.1% in 2019, the fiscal policy

12 Source: Prometeia, Forecast Report (December 2019).

will again join the monetary one to support growth. Public investments are expected to increase, thus giving a positive contribution to the GDP growth. For China, the GDP slowdown is expected to continue (up by +5.0%2 vs. +6.2% in 2019) and the indebtedness level reached by the economic system and its fast increase are one of the main sources of risk. Furthermore, due to the political factors that added to the USA-China tensions as regards the Hong Kong crisis, reaching any wider deal in the short term has become even more difficult; No further fiscal policy measures are expected to support the economy;
- In the **United Kingdom**, the GDP is expected to grow by +1.1%, at a slower pace than in 2019 (+1.3%), being affected by the slowdown in the last few quarters. Investments and consumption are expected to recover and the fiscal policy will remain expansionary to support growth. As regards Brexit, the deadline that was negotiated with the EU is the end of January 2020 and the agreement between the UK and the UE provides also for a transition period before the UK's actual exit from the EU, which is not going to happen before the end of 2020, to say the least.

As regards the **financial system and the monetary policies of the Fed**, after the latest rate cut in October 2019, yet another cut is expected for 2020, namely a cut of 0.25 points at the beginning of the second quarter, thus with the Fed Funds rates ranging between 1.25% and 1.5%. This will translate in yet another decrease in the cost of credit.

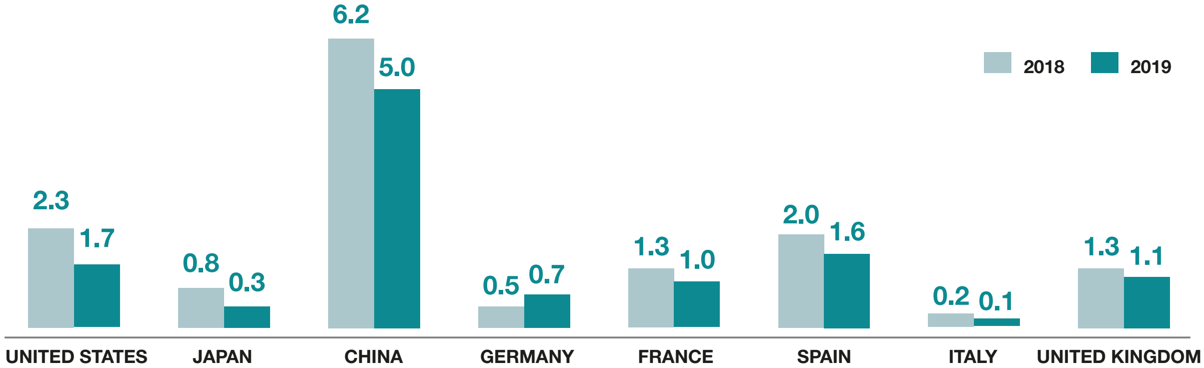
The **ECB monetary policy** for the next period seems to follow the same direction set by Mario Draghi, and Christine Lagarde has reasserted her predecessor's words, given the difficulties in strengthening the Euro Area recovery and the lack of any inflationary pressure, with **interest rates** expected to remain at the "**present or lower for as long as needed**" and until the inflation outlook is seen to robustly converge to a level sufficiently close to, but below, 2%.

EURO AREA

In Europe, growth will continue at an essentially stable pace, with the GDP expected to grow in 2020 by +0.9%2 vs. +1.2% in 2019. The risk of US tariffs on European products seems to have been warded off. This truce, albeit fragile, is the result of the talks between the European Commission and White House delegation, held in Davos, to lay the foundations for wider trade talks in the next months. However, the ongoing weakness in the German economy may trigger widespread slowdown also in the European Countries that are still growing at good rates (Spain and France among others) because of a lower weight of the manufacturing industry in the domestic production system, and/or in the automotive industry, and/or in the output of investment goods or consumer goods, thus entailing, also in 2020, considerable unevenness between cyclic positions of EMU Countries.

The expectations for the main EMU Countries are given below:
- In **Germany**, in 2020 the expected GDP growth of **+0.7%** vs. +0.5% in 2019, and the progressive improvement in confidence give evidence that a slight economic recovery has started. The German Government does not seem worried for weak growth and, in its new budget law, has not set any very expansionary measures;
- In **France**, the GDP is expected to grow at a slower pace by **+1%** vs. +1.3% in 2019, being affected by the strikes that continued in the last part of 2019 and despite the expected improvement in domestic demand thanks to the increase in purchasing power;
- In **Spain**, the GDP is expected to grow by **+1.6%** in 2020, at a slower pace vs. +2.0% in 2019, but gradually only. The forecast of household consumption remain cautious, because the savings rate is expected to return to grow, thus pointing out a conservative attitude of households.

GDP: % YOY change



Source: Prometeia, Forecast Report (December 2019) and Prometeia Brief – Italy in the global economy (February 2020).

THE ITALIAN ECONOMY

The outlook for economic growth in Italy remains weak. In 2020, the GDP is expected to grow by +0.1%, vs. +0.2% in 2019, being held back by the fact that the needed recovery in household and business confidence has not yet been achieved.

The budgetary policy aims at supporting growth rather than at reducing the state debt, with the Debt-to-GDP Ratio expected to increase to 135.7%. Households will benefit from the redistribution effects generated by both the new measures that are going to be implemented and by the Guaranteed Minimum Income (Reddito di Cittadinanza) that will become operational in 2020. Therefore, consumption should be relatively fostered, and some stimulus is expected also for investments, with the super-depreciation and hyper-depreciation allowances renewed and several tax credits, along with higher deductions for energy saving/redevelopment and renovations.

Although the new Italian Cabinet had no disagreements with the European Union about the approval of the budget law, because of the uncertainty on the Government stability, the markets will continue to be vigilant on Italy, thus penalizing the yield on Italian Government securities.

- In 2020, **exports** are expected to grow by +1.2%, vs. +1.7% in 2019, because some temporary factors that fostered growth in 2019, such as the sale of ships and higher exports to the United Kingdom, will no longer apply in 2020. Growth will be modest also due to the ongoing weakness in world trade and the Euro's appreciation against other currencies;
- The investment cycle will slow down (growing by +1.0% vs. 1.9% in 2019) both as regards operating investments, despite the better financial conditions and the several measures to support investments implemented by the new budget law, and as regards residential investments, which will grow (by +1.1%) at a slower pace than in 2019 (+2.8%);
- In 2020, the **manufacturing industry**[13] is expected to grow at a modest pace (up by +1.1%) thanks to the recovery in world trade and more expansionary domestic demand, vs. 2019 (+0.2%), when it was impacted by a scenario featuring global uncertainty and slowdown in domestic demand;
- **Consumption expenditure** is expected to remain essentially stable vs. 2019 (up by +0.6%). Household consumption are expected to post some modest grow thanks to the guaranteed minimum income and to the new measure supporting household income;
- The **unemployment rate**[14] continues in its downward trend and is expected to come to 9.7% in 2020 (vs. 10% in 2019). The effects of the "Quota 100" retirement scheme, i.e. retirement with a total of 100 between years of contribution and age, will materialize, even though the actual number of applicants was markedly lower than expected, with subsequent downsizing of the number of jobs that will become available. The economic cycle picking up speed, albeit at a slow pace, will keep labour demand positive.

THE BANKING SCENARIO[15]

The operational context for banks remains complex, considering the weak international economy, money market rates still negative and the deep transformations required by technological innovation and competition, also by non-banking players.

The regulatory framework for the banking industry has proved again constantly evolving, the cost of funding and the management of non-performing loans will continue to be **key elements for the outlook of Italian banks,** also in the light of the ECB recent supervisory coverage expectations for NPEs to be complied with by significant institutions.

The recomposition of funding towards instruments that are compliant with the regulatory requirements on the structure of liabilities is going to cause, on a forward-looking basis, an increase in the cost of funding, which is however going to be mitigated by the new TLTROs III. The disposal of NPLs is expected to continue, gross bad loans are expected to decrease by 34%, with a stock that is expected to amount, at the end of 2020, to Euro 48 billion (vs. Euro 73 billion at the end of 2019).

In early December 2019, **Moody's changed the outlook for Italian banks from negative to stable,** explaining that, for 2020, it expects further progressive decrease in non-performing loans, improvement in banks' funding conditions improve and their capital holding steady, with buffers above regulatory requirements. Problem loans

13 Source: Prometeia – Brief, Italy in the global economy (February 2020).
14 Source: Prometeia, Forecast Report (December 2019): chained value, % change
15 Source: Prometeia Bank Financial Statement Forecast (January 2020)

are expected to decrease also in 2020, for the fifth year in a row, even though their ratio is still higher than the EU average ratio (8% Italy vs. 3% EU – data of the European Banking Authority). That rating takes account also of the Italian economy outlook, forecasting a GDP growth, albeit weak, and sovereign rating with stable outlook.

In its Article IV Report on Italy, at the end of January 2020, the **International Monetary Fund** (IMF) acknowledged that Italian banks have made “substantial progress in strengthening the health of their balance sheets”, specifically by reducing NPLs, but pointed out the ongoing low profitability, especially for small- and mid-sized banks “reflecting limited potential to increase revenue, structurally high operating costs, challenges to business models, and governance weaknesses”. The capitalization and asset quality of Italian banks have improved considerably, “however, important challenges remain”, highlighting the need for further enhancing banking sector resilience, for further reducing costs and for continuing with investments in technology.

Based on these elements, for 2020 the expected performances of the **main balance sheet aggregates** are given below:

- Loans: they are expected to grow at modest paces, being still affected by the disposals of non-performing loans (approximately Euro 30 billion in the year). Loans to households will once again be the driver: consumer credit, thanks to the growth in durable consumption and to the increase in disposable income; mortgage loans will be driven by low interest rates, by still marked competition and by modest prices in the real estate market. Lending to businesses will again lack momentum, being affected by weak demand, by high liquidity available to big firms, by the use of intra-group loans for smaller-sized ones and by firms in good financial conditions issuing securities;
- Funding from Customers: liquidity accumulation by households and businesses is expected to decrease, given that it is by now quite high and, therefore, the growth in current accounts will be slower, while the institutional bond component will return to grow from 2021, thanks to issue in the wholesale sector, made necessary by regulatory requirements (MREL);
- Indirect funding: it is expected to grow by +3% YOY, with a +5% increase in asset management products (funds, insurance and wealth management) and with a decrease in assets under administration (-3% YOY). Profitability on indirect funding will be affected by the lower margins on assets under administration after recomposition. The expected low rates on government securities will penalize also the distribution of traditional insurance products, even though this effect will be offset by the component of non-life protection products.

The sector profitability continued to be affected by non-recurring components: in 2019 the overall profits benefited from important income components that are expected to be lower in 2020. Because of the writedowns associated with the NPL disposal plans, the effects generated by the new definition of default and the expenses to incentivize voluntary redundancy, profits are expected to come to approximately Euro 8 billion. The outlook is expected to improve from 2021, but the chances of higher profitability will still rely on the effectiveness of cost control actions and on the reduction in the cost of risk.

Specifically:

- Income down by -2.8% YOY, with rates expected negative and yields on government securities continuing to decrease, there will be smaller room for recovery in net interest income, which is expected to decrease also in 2020. After the setback in 2019, net fee and commission income will return to grow, albeit at modest paces, with an important role played by revenues from indirect funding. Revenues from liquidity management (keeping and managing current accounts, collections and payments) are expected to grow at a modest pace, because of the reduction in unit revenues of the new competition scenario, with the entry of non-banking players, despite the opportunities given by the larger number of transactions resulting from both the new budget law and more transactions by Customers. Revenues from trading and fair value measurement of Italian government securities held will continue to be lower than in 2019;
- Operating costs will decrease by -1.1% YOY in 2020. Some recently emerged elements are expected to affect changes in expenses in the next few years, such as the impact generated by the outcome of the Italian collective bargaining process, the layoffs announced by Unicredit in its new business plan and the non-recurring costs that the banking industry will incur to rescue ailing banks (higher contributions to the DGS subsequent to the recent recapitalization measures of the Interbank Deposit Protection Fund in the 2020-2024 period). Cost control will be driven also by the process that banks have been implementing for quite some time now **to reduce their physical structure** (employees and branches) and by the savings from dematerialization of processes, whereas factors driving in the opposite direction will be the needs for investments in **digitalization** and **service model** change;
- Further non-recurring adjustments of loans are expected on positions that had not been written down within the FTA of IFRS9, to finalize NPL disposals in the market. On top of the above, the new definition of default will also generate impacts, in terms of larger adjustments needed to make coverage ratios compliant with supervisory expectations, which will increase the cost of risk.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE – INFORMATION PURSUANT TO ARTICLE 123-BIS PARAGRAPH 2, LETTER B) OF ITALIAN LEGISLATIVE DECREE 58/98 (the Italian Consolidated Law on Finance -TUF)

INTERNAL CONTROL SYSTEM

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

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

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

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

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

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

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

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

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

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

- Use of a shared language that is consistent with the Controlling Company's methods;
- Implementation of detection and measurement approaches and tools;
- Definition of risk reporting models;
- Setting of coordination meetings to plan activities;

- Establishing exchange information flows;
- Agreeing on the identification of corrective actions.

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

The Departments and Roles engaged in 2nd level and 3rd level controls report to the Board of Directors and to Crédit Agricole S.A. on:
- Activities carried out;
- Main risks detected;
- Identification and implementation of the mitigation arrangements and the effects of their implementation.

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

CORPORATE/GOVERNANCE BODIES

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

Specifically, the strategic supervisory body adopted organization models as well as operating and control mechanisms that are suitable and complying with the reference regulations and with corporate strategies.

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

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

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

DEPARTMENTS ENGAGED IN CONTROL FUNCTIONS

The organization of the Crédit Agricole Italia Banking Group includes three main structures that are engaged in control functions and are independent; within their scope of action and in accordance with their functions, these structures ensure constant control on all corporate operations and on the risks generated by such operations:
- The Risk Management and Permanent Controls Department (which includes the Validation Unit) and the Compliance Department, which are responsible for second degree – second level controls;
- The Internal Audit Department, which is responsible for third-degree controls.

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

RISK MANAGEMENT AND PERMANENT CONTROLS DEPARTMENT

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

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

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

- Credit risks, including:
  - Concentration risks;
  - Counterparty risks;
- Market and financial risks;
- Operational risks, specifically including:
  - Insurance Coverage risks;
  - Information and Communication Technology (ICT) Risk (Information System and Security of Information Systems);
  - Risks concerning the Business Continuity Plan (BCP);
  - Physical Security;
  - Risks concerning the provision of “Outsourced Important Operational Functions (Italian acronym FOIE)”, which the Parent Company Crédit Agricole S.A. calls “Provision of Outsourced Essential Services (PSEE)”. The Validation Function activities have the objective of providing independent verification of:
- Tools;
- Technical organizational mechanisms;
- The system of the controls implemented for risk measurement, for the calculation of the minimum regulatory capital requirements, in order to verify their consistency over time with the regulatory provisions applicable for the use of advanced approaches.

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

- Defines, in cooperation with the Chief Financial Officer (CFO), the Group Risk Appetite Framework, consistently with the guidelines and the strategic plan of the Parent Company Crédit Agricole S.A., setting the global operating limits within the scope of the Group Risk Strategy;
- Contributes to the definition of lending policies;
- Contributes to and validates the quantitative approaches for provisioning;
- Gives its opinion on the main risk-taking instances.

The Risk Management and Permanent Controls Department is responsible also for the Group risk reporting. These reports are submitted on a quarterly basis to the Boards of Directors of the single Companies. The reporting produced by this Department covers, among other things, the policies for loan coverage and is addressed to the Top Management, with the objective of presenting the performance of the key risk indicators for more effective and prompter preparation of the action plans required to mitigate, prevent or avoid risk factors.

INTERNAL AUDIT DEPARTMENT

The Internal Audit Department is independent of any operational, executive and decision-making structure or role entailing risk-taking. The Head of the Internal Audit Department (Chief Audit Executive CAE) reports to the

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

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

Specifically, based on a multiyear work plan, it ensures the performance of controls aimed at verifying:

- Proper running of operations by the Group's entities;
- The effectiveness and efficiency of the corporate processes as implemented;
- The protection of the value of Group's assets;
- Protection from losses;
- The reliability and integrity of accounting and management data;
- Compliance of operations with both the policies set down by the corporate governance bodies and with all applicable internal and external regulations;

Furthermore, the Department:

- Performs periodic review and controls on the processes and on the organizational units of all the Companies of the Crédit Agricole Italia Banking Group, as well as on Outsourced Important Operational Functions, through constant and independent supervision on the regular course of operations, in order to prevent or detect any behaviours or situations that are irregular and/or risky;
- Provides the Top Management, the Corporate Bodies and the Controlling Company Crédit Agricole S.A. with prompt and systematic reporting on the conditions of the controls system and on the outcomes of the activities carried out;
- Supports the *Organismo di Vigilanza* (body engaged in offence prevention required by Italian Legislative Decree 231/2001) in ensuring constant and independent surveillance action on proper running of operations and processes and in supervising compliance with and adequacy of the rules contained in Model 231.

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

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

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

COMPLIANCE DEPARTMENT

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

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

The Compliance Department has the mission of controlling and managing compliance risks, by continuously identifying the legislation and regulations that apply to the Group, as well as by measuring and assessing the impact of such regulations on the corporate processes and procedures and by defining the relevant prevention and control policies. Specifically, its objective is to ensure the centrality of customers' interests, the prevention of offences pursuant to Italian Legislative Decree 231/01, the prevention of risks associated with money-laundering and terrorism financing pursuant to Italian Legislative Decree 231/07 as amended and supplemented, the prevention or risks regarding market abuse, personal data protection pursuant to the applicable legislation, the protection of the Group's Companies, employees and top officers against risks of penalties, financial losses and reputational damage, also through advisory services and assistance, risk control and compliance with internal regulations and external legislation on ICT (ICT compliance) pursuant to Bank of Italy Circular no. 285 of 17 December 2013, as well as with any applicable legislation for which specialist control is not already in place.

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

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

MANAGER IN CHARGE

Pursuant to above-mentioned Article 154-bis, in a specific document attached to the Annual Report and Separate Financial Statements, the Annual Report and Consolidated Financial Statements and the Interim Condensed Financial Report:, jointly with the Chief Executive Officer, the Manager in Charge shall state:

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

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

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

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

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

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

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

Identification of risks on financial reporting

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

Once having identified the relevant entities, significant processes are identified and defined as such if they are associated with material data and information, i.e. accounting items that have a less than remote possibility to contain errors with potential material impact on financial reporting. Within every significant process, the most relevant "assertions" are then identified, again in accordance with assessment based on risk analysis. Assertions are claims regarding the requirements that each financial statement must meet in order to achieve the objective of true and correct representation. Assertions are existence and occurrence, valuation and classification, completeness, rights and obligations. Therefore, risks refer to the possibility that one or more assertions are not correctly represented, with subsequent impact on financial reporting.

Assessment of risks on financial reporting

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

Identification of controls based on the detected risks

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

Assessment of controls based on the detected risks

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

B) Roles and structures involved

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

STATUTORY AUDIT OF THE ACCOUNTS

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

The non-financial data and information of the Crédit Agricole Italia Banking Group are part of the Consolidated Non-Financial Statement prepared by the French Parent Company Crédit Agricole S.A.; therefore, the Crédit Agricole Italia Banking Group would be entitled to the exemption pursuant to Article 6 of Italian Legislative Decree No. 254 of 30 December 2016 (hereinafter “D.Lgs 254/2016”) for reporting entities that belong to a Group that prepares a Consolidated Non-Financial Statement. Nevertheless, in agreement with the Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group decided not to opt for the exemption provided for by the aforementioned Article 6 of D.Lgs 254/2016 and has prepared its Consolidated Non-Financial Statement (NFS) as at 31 December 2019 in compliance with D.Lgs 254/2016.

Certification of compliance of the Annual Report and Consolidated Financial Statements pursuant to Article 154-bis of Italian Legislative Decree 58/1998

CRÉDIT AGRICOLE

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

- the adequacy in relation to the company's characteristics and
- the actual application of the administrative and accounting procedures for the formation of the consolidated financial statement during the course of the 2019 financial year.

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

3. The undersigned certify also that:

3.1 The consolidated report and financial statements as at 31 december 2019:

a) have been drawn up in compliance with the applicable international accounting principles endorsed within the European Union pursuant to EC Regulation no. 1606/2002 of the European Parliament and of the European Council dated 19 July 2002;
b) correspond to the results recorded in the accounting books and registers;
c) furnishes a true and correct representation of the capital, economic and financial situation of the issuer and of the companies included in the consolidation.

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

Parma, 6 April 2020

Giampiero Maioli

Chief Executive Officer

Pierre Débourdeaux

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

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

Capitale Sociale euro 979.234.664,00 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.

Report of the Board of Auditors on the activities performed and on the separate and consolidated Financial Statements as at 31 December 2019 – Non-financial Statement

Dear Shareholders,

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

In 2019, the Board of Auditors performed its institutional duties in compliance with the Italian Civil Code, with Italian Legislative Decrees 385/1993 (the Italian Consolidated Law on Banking, Italian acronym TUB), 58/1998 (the Italian Consolidated Law on Finance, Italian acronym TUF) and 39/2010 as amended and/or supplemented, with the Articles of Association and with the provisions issued by the competent Authorities exercising supervision and control, and in accordance also with the standards of conduct recommended by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (the Italian National Council of Chartered Accountants and Accounting Experts, Italian acronym CNDCEC).

Appointment and activities of the Board of Auditors

The three-year term of office of this Board of Auditors expired and it was fully renewed by the General Meeting of Shareholders on 30 April 2019: the General Meeting appointed - with term of office until the approval of the Annual Report and Financial Statements as at 31 December 2021 - the undersigned Paolo Alinovi (Chairman) and Luigi Capitani, Maria Ludovica Giovanardi, Stefano Lottici and Germano Montanari (Standing Auditors). As mentioned above, all the Auditors sat also on the previous Board.

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

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

As regards the activities performed, in 2019 the Board held 58 meetings, having average duration of 2 hours, of which:

- 17 meetings until the date (8 April 2019) of the Board meeting that approved the previous Report of the Board of Auditors to the General Meeting of Shareholders;
- 5 meetings held after 8 April 2019 and until the date of the General Meeting held on 30 April 2019;
- 36 meetings after the Board new appointment.

In 2020 and up to the date of this Report, the Board held 13 meetings.

In 2019, the Board of Auditors also attended

1. all the General Meetings of Shareholders, the 10 meetings of the Board of Directors and the 6 meetings of the Executive Committee; therefore, it can vouch that those meetings were held in compliance with the Articles of Association and with the applicable legislation governing the operations of the relevant Bodies and, at such

meetings, the Board obtained exhaustive information on the exercise of the respective responsibilities and powers, as well as on the most material transactions;

2. Participated, through joint meetings, at the meetings of the Audit Committee for Internal Control, which is a BoD Committee, and constantly cooperated and coordinated with it;
3. Participated, represented by its Chairman and/or another of its Members, in the Loan Committee of the Bank and of the Group;
4. Participated, represented by its Chairman and/or another of its Members, in the meetings of the Related Party Committee and in the Meetings of the BoD and of the Executive Committee, in compliance with the "Regulation for Risk Assets and Conflicts of Interests with Associated Persons" of the Crédit Agricole Italia Group;
5. Participated, represented by its Chairman and/or another of its Members, in the meetings of the Organismo di Vigilanza appointed pursuant to Italian Legislative Decree 231/01.

In the reporting year, this Board supervised:

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

Specifically, the Board:

- Obtained information from the Directors, thanks to its participation in the meetings of the Board of Directors and of the Board Committees and in the meetings with the Top Management (Chief Executive Officer, Deputy General Manager in charge of Retail Banking, Deputy General Manager in charge of Corporate Banking), on the general performance and outlook of operations, as well as on the most material transactions, in terms of their size or features, carried out by the Company.
- Worked in close cooperation with the Boards of Auditors of the Subsidiaries, also through joint meetings held with their respective Control Bodies;
- Carried out its self-assessment on 18 March 2019, with reference to the 2018 period, verifying its own adequacy in terms of composition, professional skills, availability of time and operation. The above self-assessment was carried out in accordance with Article 29 of the Company's Articles of Association in force, which is compliant with the applicable regulations;
- Implemented its annual work plan that provided for regular meetings especially with the Top Management, the Heads of Central Departments engaged in control functions (Compliance, Risk Management and Permanent Controls, Internal Audit) and the Heads of Departments and Divisions engaged in the management of operations and administration for the review of the reports prepared by them;
- Carried out professional refresher and training activities, also by participating in external events.
- Worked in cooperation, also through specific meetings and contacts, with the Organismo di Vigilanza, the Body in charge of offence prevention - AML, Terrorism Financing, etc. - provided for by Italian Legislative Decree No. 231/01.

Moreover, in 2019 and up to the date of preparation of this Report, the Board expressed its opinion on several matters, including:

- Annual report on operations regarding asset-backed securities
- Awarding of the variable remuneration component to Top Officers;
- Annual report on the controls performed on Outsourced Important Operational Functions;
- Report on non-compliance risks;
- ICAAP and ILAAP Reports: specifically, the "ICAAP Report as at 31 December 2018" was submitted to the Board of Directors on 26 April 2019 after being examined by this Board, whereas the "ICAAP Report as at 31 December 2019" is going to be submitted to the Board of Directors on 28 April 2020;
- Report and self-assessment of money-laundering and terrorism financing risks;
- Assessment of the procedures for the outsourcing of cash-handling activities;
- Report on internal validation activities and annual report prepared by the Internal Audit Department on the AIRB System;

- Increase in the maximum amount of Covered Bonds issued;
- Report prepared by the Internal Audit Department on the operational management of Covered Bonds;
- Amendments to the Company's Articles of Association dealt with at the General Meetings of Shareholders on 26 February.

Atypical of unusual transactions and Transactions with related parties

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

As regards intra-group transactions and transactions with related parties, this Board also acknowledges that, in paragraph 2 of "Part H" of the Note to the Financial Statements, the material transactions finalized in 2019 are properly reported.

Moreover, in the reporting period, this Board monitored the following material transactions:
- On 26 February 2019, the Extraordinary General Meeting of the Shareholders of Crédit Agricole Italia S.p.A. resolved a share capital increase, for a consideration and ruling out option rights, pursuant to Article 2343-ter, paragraph 2, letter b), Article 2440 and Article 2441, paragraph 4 of the Italian Civil Code, of a nominal amount of Euro 16,539,731 through the issue of 16,539,731 ordinary shares having a nominal value of Euro 1.00 each, to be exclusively subscribed by Fondazione Cassa di Risparmio della Spezia and to be paid in through a contribution in kind of the 33,079,463 shares held by Fondazione Cassa di Risparmio della Spezia into Crédit Agricole Carispezia, representing 18.5% of the latter's share capital Then, on 21 July 2019, Crédit Agricole Carispezia S.p.A., a consolidated subsidiary since 2011, was merged by absorption into Crédit Agricole Italia S.p.A., its controlling company holding 100% of the subsidiary's share capital. The accounting and tax effects of the merger were backdated to 1 January 2019.
- In 2019, the last tranche of bad loans amounting to Euro 83.1 million (net amount of Euro 7.1 million) was sold, completing the Valery project, which started in 2018 in order to reduce the NPL stock through market transactions.

Supervisory activities on the statutory audit of the accounts

Pursuant to Articles 16 and 19 of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree no. 135/2016 implementing Directive 2014/56/EU, the Board of Auditors has the role of Audit Committee in charge of internal control and of the statutory audit of the accounts and is responsible, among other things, for:
- Monitoring the financial reporting process and presenting any recommendations or proposals aimed at ensuring its integrity;
- Verifying the effectiveness of the systems of internal control, quality and risk management of the Company and, where applicable, of the internal audit, as regards financial reporting of the audited entity;
- Monitoring the statutory audit of annual accounts, both separate and consolidated;
- Verifying and monitoring the independence of the audit firm tasked with the statutory audit of the accounts pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of the Decree and to Article 6 of Regulation (EU) 537/2014 of 16 April 2014, especially as regards the provision of services other than statutory audit (non-audit services) to the audited entity, in compliance with Article 5 of the Regulation;
- Supervising the procedure for the selection of statutory auditors or audit firms and recommending statutory auditors or audit firms to be appointed pursuant to Article 16 of Regulation (EU) 537/2014.

In order to perform all the above, as regards monitoring of the statutory audit of the accounts and of the independence of the statutory auditors, this Bord worked in coordination with the Audit Firm in charge of the statutory audit of the accounts, EY S.p.A. (which has been tasked with the statutory audit of the accounts for the 2012-2020 period pursuant to the resolution of the General Meeting of Shareholders dated 23 April 2012).

In this regard, pursuant to the aforementioned Article 19, in 2019 and up to the date of this Report to the Shareholders, this Board performed continuous monitoring of the activities carried out by the Independent Audit Firm

To this end, regular meetings were held in the reporting period, both to examine the quarterly accounts and to exchange information as relevant for the performance of the respective tasks and for the analysis of the work carried out by the Audit Firm.

It is specifically pointed out that, on 18 June 2019, the Independent Audit Firm sent a document called "Letter with comments by the Independent Audit Firm", whereby the Audit Firm reported on some aspects of the company's activities which, albeit not amounting to material shortcomings in the internal control system regarding the financial reporting process, it deemed worthy of attention.

In addition to the aforementioned exchange of information, the Board of Auditors examined the following reports that were issued by the Statutory Auditor EY S.p.A. on 6 April 2020 and that set forth the matters examined during the various meetings held since the previous report to the Shareholders:
- The Audit Report on the Consolidated Financial Statements issued pursuant to Article 14 of Italian Legislative Decree No. 39/2010 and to Article 10 of Regulation (EU) No. 537/2014, which is dealt with in the "Separate and Consolidated Financial Statements" paragraph;
- The Audit Report on the Separate Financial Statements issued pursuant to Article 14 of Italian Legislative Decree No. 39/2010 and to Article 10 of Regulation (EU) No. 537/2014, which is dealt with in the "Separate and Consolidated Financial Statements" paragraph;
- The Independent Auditors' Report pursuant to Article 3, paragraph 10 of Italian Legislative Decree No. 254 of 30 December 2016 and to Article 5 of CONSOB Regulation No. 20267 concerning the Consolidated Non-Financial Statement as at 31 December 2019;
- The Additional Report, also issued on 6 April 2020, pursuant to Article 11 of Regulation (EU) No. 537/2014, including the annual confirmation of independence, also issued on 5 April 2019, pursuant to Article 6 paragraph 2) letter a) of Regulation (EU) No. 537/2014 and to paragraph 17 of International Standard on Auditing (ISA) Italia 260.

Overall, it is reported that the Independent Audit Firm did not inform this Board, at the regular meetings held or in its reports, of any remarks or findings of irregularities, problems and/or material inadequacy.

As regards verification of the statutory auditor's independence, in 2019, pursuant to Article 19 of Italian Legislative Decree No. 39/2010, the Board of Auditors verified and monitored the independence of the audit firm EY S.p.A. tasked with the statutory audit of the accounts, pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of the aforementioned Decree and to Article 6 of Regulation (EU) 537/2014, especially as regards the provision of non-audit services to the audited entity. Moreover, as reported in the previous paragraph, the Board of Auditors received the statement confirming the Audit Firm's independence, finding no inconsistencies.

Relations with Supervisory Authorities

As regards relations with Supervisory Authorities, it is specifically reported as follows:
- European Central Bank (ECB): on 27 April 2018, the ECB issued its Follow Up Letter, the final document detailing its recommendations to the Crédit Agricole Italia Banking Group following the audit it carried out in the period between April and July 2017 on the Small Medium Enterprises portfolio of the Crédit Agricole Italia Banking Group.
- The Regulator requested the preparation of remedial plans with specific regard to the revision of loan authorization processes and a quarterly briefing on the related progress, setting the deadline for completion of the mitigation actions at 30 June 2019. In this regard, the Board can vouch, as to the matters it is responsible for, that, also in 2019, the CA Italia Group complied with the requests made by the Regulator and that, on 23 July 2019, the Board of Directors acknowledged that, on 30 June 2019, all the eight recommendations given by the Regulator had been adequately implemented;
- Bank of Italy:
  - As pointed out in the Report to the Financial Statements as at 31 December 2018, in that year the Bank of Italy served its report on the supervisory audits it had performed on Crédit Agricole Italia S.p.A. between April and July 2018 on anti-money-laundering and on transparency and fairness of relations with Customers;

    The Bank promptly examined and assessed the findings reported by the Supervisory Authority, sending, in early 2019, its Considerations and, more importantly, implementing a wide-ranging and exhaustive Remediation Plan. Nevertheless, on 7 October 2019, at the end of the proceedings, the Bank of Italy served

Crédit Agricole Italia S.p.A. with a penalty measure pursuant to Article 145 of the Italian Consolidated Law on Banking, whereby it imposed an administrative pecuniary penalty on Crédit Agricole Italia S.p.A. Based on the legal opinions obtained and considering that, as stated in the 2018 Report on Operations and Activities of the Bank of Italy, in 2018 alone audits on transparency were carried out on many intermediaries (with over 100 deficiency letters sent), the Bank decided not to file appeal against the measure.

However, the Bank and this Board are continuously monitoring the implementation of the submitted Remediation Plan;

- On 7 June 2019, Crédit Agricole Italia received a request for clarifications from the Consumer Protection and Anti-money laundering Directorate of the Bank of Italy regarding a mortgage loan granted in 2011 on a joint account one of the holders of which was later involved in criminal proceedings that ended with a sentence for the offence of using a front man. The Bank of Italy sent this request for clarifications after receiving, from the Law Court of Milan, the decree whereby the Court rejected the opposition filed by the Bank against its exclusion from the list of creditors; the request also asked for the reports of the verifications performed on this matter both by the anti-money-laundering structure and by the Internal Audit to be sent to the Supervisory Authority, along with the assessment made by the BoD and by the Board of Auditors of CA Italia. The request was complied with sending the related documentation on 23 October 2019.

- CONSOB: on 18 April 2019, CONSOB (Italian Securities and Exchange Commission) sent the Parent Company (for the attention of the Board of Directors, of the Board of Auditors and of the Compliance Function Holder) a request for a wide set of data and information pursuant to Article 6-bis, paragraph 4, letter a) of Italian Legislative Decree 58/1998 (the Italian Consolidated Law on Finance) regarding the plan underway for upgrading to MiFID 2. The request for information, which comprised 26 items, referred specifically to:
  - "Points of attention" regarding compliance with the Directive;
  - "Exhaustive clarifications" on the applied models in order to more effectively assess compliance with the industry-specific legislation;
  - "Briefs" on scopes featuring initiatives underway.

  The request provided for a reply by the Bank to be sent within 45 days, accompanied with an assessment to be performed by the Board of Auditors and by the Compliance Function Holder; the Bank sent its reply on 31 May 2019.

In the reporting period and up to the date of preparation of this Report, no charges were filed pursuant to Article 2408 of the Italian Civil Code.

Supervisory activities on the adequacy of the internal control system

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

Therefore, the Group has implemented an internal controls system consisting of the set of rules, functions, structures, resources, processes and procedures that have been designed to ensure the achievement of the following objectives:

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

As set forth in the Report on Corporate Governance and Ownership Structure, the types of controls within CA Italia are structured as follows:

1. Permanent control, which comprises:
   - 1st-degree controls, exercised on a continuous basis by the employees performing the transactions, by the persons they report to on a solid line, or executed by the automated systems for transaction processing; the

activities for the production of accounting data and for the preparation of the Annual Report and Financial Statements are subject to specific first-degree controls that are carried out within the accounting units;
- 2nd-degree/first-level (2.1) controls, which are carried out by persons engaged in operating tasks, but other than those directly involved in the transactions subject to control; specifically, within the central administrative structures, controls are performed to monitor all departments and roles that can access the accounting information system;
- 2nd degree/second level (2.2) controls, which are carried out by staff who is engaged in specialist functions for top level permanent controls and is not authorized to take risks, i.e. staff engaged in Compliance, Risk Management and Permanent Controls functions.

2. Periodic control, which is performed by the Internal Audit Department on a periodic basis through remote verifications, on-site inspections and audits of documents.

The Board of Auditors can reliably state that it supervised the effectiveness and proper operation of the overall system of internal controls, also through regular and constant meetings with the Risk Management and Permanent Controls Central Department, the Internal Audit Central Department, the Compliance Central Department and with the Manager in charge of the preparation of the company accounting documents, receiving copies of the reports prepared by the various Corporate Bodies and Committees engaged in control functions.

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

Supervisory activities on the adequacy of financial reporting process

As regards financial reporting processes, this Board of Auditors carried out thorough reviews with both the Administration and Finance Department and the Manager in Charge of the preparation of the Company's accounting documents, as well as with the Independent Audit Firm: these reviews did not show any problems affecting the internal control system concerning the financial reporting process. The administrative and accounting procedures for the preparation of the separate and consolidated financial statements were designed and implemented under the responsibility of Manager in Charge, who, jointly with the Chief Executive Officer, vouches for their adequacy and actual implementation. At the aforementioned meetings, the Manager in Charge did not report any material shortcomings in the operational and control processes, which could bias the warranted adequacy and actual application of the administrative-accounting procedures, in order to given a true and correct income, financial and cash flow representation of operations, in compliance with the internal accounting standards.

On 6 April 2020, the Manager in Charge and the Chief Executive Officer signed the certifications on the separate and consolidated financial statements as at 31 December 2019 required by Article 81-ter of the Issuers' Regulation approved by CONSOB with Resolution 11971/1999 as amended and supplemented.

This Board of Auditors also examined the half-yearly and annual reports prepared by the Manager in Charge and the "Letter of comments by the Independent Auditors" sent on 18 June 2019 and regarding some points of attention in the Company's business operations, as well as the Additional Report issued on 6 April 2020, pursuant to Article 11 of the aforementioned EU Regulation: no one of these documents reports any material shortcomings in the internal control systems concerning the Company's financial reporting and/or accounting system.

Based on the information it obtained and on the analyses it made, this Board of Auditors can deem the administrative and accounting system of the CA Italia Group as overall adequate and compliant with the applicable legislation.

Supervisory activities on the adequacy of the risk management system

The founding principles informing all activities for risk management and control deployed by CA Italia are the following:

- Clear identification of risk-taking responsibilities;
- Measurement and control systems that are compliant with the Supervisory guidelines and consistent with the solutions more frequently

- adopted at an international level;
- Organizational separation between operating and control functions.

The risks detected, controlled and integrated (considering diversification benefits) in the economic capital are defined as:
- Credit and counterparty risks; this category also includes concentration risk;
- Market risk of the Trading Book;
- Price risk of the Banking Book;
- Interest rate risk of the Banking Book;
- Liquidity risk;
- Exchange rate risk of the Banking Book;
- Operational risk.

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

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

Remuneration policies

The Board of Auditors has acknowledged that, at its meeting held on 20 March 2020, the Board of Directors approved the "Remuneration Policies of the Crédit Agricole Italia Banking Group for 2020 and the actual figures for 2019" document, which shall be submitted to the General Meeting of Shareholders. This document sets out the principles and standards used to design, implement and monitor the Group's remuneration systems. It was reviewed by the Internal Audit Department, which did not report any anomalies.

On this matter, in the reporting period, the Board of Auditors also participated, represented by its Chairman or by another of its Members, in the meetings of the Appointments Board Committee and of the Remuneration Board Committee.

Annual Report and separate and consolidated financial statements

The Financial Statements as at 31 December 2019 are governed by Italian Legislative Decree No. 38 of 28 February 2005 and by Circular No. 262 issued by the Bank of Italy on 22 December 2005, as updated and were prepared in accordance with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) applicable and in force as at 31 December 2019, and endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In the Note to the Financial Statements, the Management Body stated that no exceptions were made to the application of the IAS/IFRS.

The Separate Financial Statements and the Management Report accompanying them are deemed adequate to provide information on the Bank's situation, its performance in the reporting period and outlook (also taking account of the indications given in the joint document issued by the Bank of Italy/CONSOB (Italian Securities and Exchange Commission)/ISVAP (Italian Insurance Supervisory Authority) No. 4 of 3 March 2010, on the application of IAS/IFRS).

The Consolidated Financial Statements as at 31 December 2019 are governed by Italian Legislative Decree No. 38 of 28 February 2005 and by Circular No. 262 of the Bank of Italy of 22 December 2005, as amended, and were prepared in accordance with the International Accounting Standards and the International Financial Reporting Standards (IAS/IFRS) as well as with the relevant interpretations issued by IFRIC, endorsed by the European Commission pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. As specified by the Directors in the Note to the Consolidated Financial Statements, the consolidation perimeter consists, in addition to the Parent Company Crédit Agricole Italia S.p.A., of its subsidiaries of which in paragraph 1 of Part A of the Note to the Consolidated Financial Statements.

Having regard to the Consolidated Financial Statements as at 31 December 2019, the General Meeting is also informed that this Board supervised their general layouts, their general compliance with the applicable law in terms of preparation and layouts and, on this matter, no remarks are to be made. Moreover, this Board verified compliance with the standards concerning the preparation of the Management Report.

As mentioned above, on 6 April 2020, this Board of Auditors received the Independent Auditor's Report pursuant to Article 14 of Italian Legislative Decree No. 39 of 27 January 2010, and to Article 10 of Regulation (EU) No. 537/2014 on the financial statements as at 31 December 2019, which sets forth that, in the Independent Auditors' opinion, both the separate and consolidated financial statements provide a truthful and correct representation of the Company's equity and financial position as at 31 December 2019, of its performance and cash flows for the reporting year, in compliance with the International Financial Reporting Standards endorsed by the European Union and with the measures implementing Article 9 of Italian Legislative Decree No. 38 of 28 February 2005 and Article 43 of Italian Legislative Decree No. 136 of 18 August 2015."

Furthermore, this Board acknowledges that, on 6 April 2020, the Manager in Charge and the Chief Executive Officer signed the certifications on the separate and consolidated financial statements as at 31 December 2019 required by Article 81-ter of the Issuers' Regulation approved by CONSOB with Resolution 11971/1999 as amended and supplemented.

Lastly, having regard to the Management Report and to some specific pieces of information contained in the report on corporate governance and ownership structure, it is pointed out that the statutory auditor's reports attest that they are consistent with the Group's Consolidated Financial Statements and with the Separate Financial Statements as at 31 December 2019 and have been prepared in compliance with the applicable law.

As regards the effects on the Company's Financial Statements and business operations linked to the coronavirus (Covid-19) epidemic, which broke out in continental China at the end of 2019 and then spread to other Countries, including Italy, the Company appropriately expressed its considerations both in the Management Report and in the Note to the Financial Statements, making the specific points listed below:

- The recent developments in the spread of COVID-19 have caused the need to revise all the macroeconomic and banking forecasts. Based on the information available to date, in 2020 a recession in the world economy is expected with the GWP down by -1.6%;
- As reported in Part A - Accounting Policies, Section 2, the Covid-19 pandemics is an uncertainty factor in the future macroeconomic scenario in which the Group will operate … However, despite such a complex and continuously evolving scenario, the analyses performed based on the information at present available have given evidence to conclude that the Group will be able to handle the risks and uncertainties resulting from the Covid-19 pandemic;
- Material factors for any assessment of the effects of the Covid-19 pandemic on the economy are its duration and the measures implemented to contain it; therefore, for the time being, the Bank believes that any quantitative estimate of Covid-19 potential impact is impossible.
- Crédit Agricole Italia considers it a non-adjusting event occurred after the reporting date, pursuant to IAS 10. Having regard to paragraph 125 of IAS1, which requires the entity to disclose the assumptions it made on the future and other major sources of estimation uncertainty at the end of the reporting period having a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year data, the Bank believes that any reliable quantitative estimate of the potential impact generated by Covid-19 on the profit or loss and on the financial situation of the Company and of the Group cannot be provided for the time being, due to the many factors that are still unknown and hard to determine. Therefore, the Covid-19 impact will be factored in the accounting estimates of the Company and of the Group in 2020.

Non-Financial Statement

In accordance with Italian Legislative Decree No. 254/2016 concerning disclosure of non-financial information and with the related implementing Regulation issued by CONSOB with its resolution of 18 January 2018, this Board of Auditors supervised, in performing its functions, compliance with the related provisions on the preparation of the Non-Financial Statement (hereinafter, also "NFS"), which was approved by the Board of Directors on 6 April 2020 as a free-standing document separated from the Annual Report and Consolidated Financial Statements.

This Board had meetings with the representatives of the appointed Audit Firm (EY S.p.A.) and examined the documentation made available to it. Lastly, this Board acknowledged the report issued by the Audit Firm on 6

April 2020 in which the Audit Firm attests that it found no elements that may lead to think that the NFS of the Crédit Agricole Italia Banking Group has not been prepared, in all its material aspects, in full compliance with the applicable legislation.

Therefore, based on the obtained information, the Board of Auditors hereby attests that, during its review of the Non-Financial Statement, it found no elements that could amount to non-compliance with and/or breach of the applicable legislation.

Proposal of allocation of the profits for the period

Regarding the considerations expressed above on the effects of the Covid-19 epidemic, on 27 March 2020, the ECB issued recommendation ECB/2020/1 whereby "The ECB recommends that at least until 1 October 2020 no dividends are paid out and no irrevocable commitment to pay out dividends is undertaken by the credit institutions for the financial year 2019 and 2020 and that credit institutions refrain from share buy-backs aimed at remunerating shareholders".

Complying with the aforementioned recommendation, on 6 April 2020, the Company's Board of Directors changed its proposal for the allocation of the 2019 profit and, consequently, the proposal for the allocation of Crédit Agricole Italia S.p.A.'s net profit, amounting to Euro 302,570,911, which is submitted for your approval, is as follows:

- Euro 15,128,546, equal to 5% of the net profit to Legal Reserve;
- Euro 1,500,000 to charity, to be used for social and cultural initiatives, in accordance with the Articles of Association;
- Euro 233,686,175 to reserve of 2019 retained earnings;
- Euro 52,256,190 to extraordinary reserve.

The approval of this proposal would increase the capital strength of the Crédit Agricole Italia Banking Group, with the Common Equity Tier 1 ratio as at 31 December 2919 up from 11.9% to 12.5%, while, for Crédit Agricole Italia S.p.A., the Common Equity Tier 1 ratio would increase from 16.8% to 17.5%, vs. the ratio in case of dividend distribution.

As regards the aspects it is responsible for, the Board of Auditors expresses its consent to the new proposal for profit allocation, which determines an increase in the capital strength of the Company and of the Group, while complying with the recommendations given by the Regulator.

Conclusions

Dear Shareholders,

Based on the information and evidence obtained in its supervisory activities and reported above,

Based on the outcome of the activities performed by the firm tasked with the statutory audit of accounts "EY S.p.A." as contained in its Independent Auditor's Report pursuant to Article 14 of Italian Legislative Decree No. 39 of 27 January 2010, and to Article 10 of Regulation (EU) No. 537/2014, and based on the Statements made by the Chief Executive Officer and by the Manager in charge of the preparation of the corporate accounting documents, the Board of Auditors unanimously deems that there are no reasons why you should not approve the draft Annual Report and Financial Statements for the financial year closed as at 31 December 2019, as prepared and submitted to you by the Board of Directors.

This Board also agrees with the proposal for the allocation of the profit for the period as changed by the Board of Directors on 6 April 2020 because of the ongoing emergency.

Parma, Italy, 6 April 2020

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

Independent Auditors' Report

Building a better working world

Crédit Agricole Italia S.p.A.

Consolidated financial statements as at December 31, 2019

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010, and article 10 of EU Regulation n. 537/2014

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

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Crédit Agricole Italia Banking Group (the "Group"), which comprise the balance sheet as at December 31, 2019, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued for implementing article 9 of Legislative Decree n. 38, dated February 28, 2005 and article 43 of Legislative Decree n. 136, dated August 18, 2015.

Basis for Opinion

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

Key Audit Matters

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

EY S.p.A.
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Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
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We identified the following key audit matters:

Key Audit Matters	Audit Responses
Classification and valuation of loans to customers	
Loans to customers measured at amortised cost included in line item 40 b) of the balance sheet amount to about Euro 51.6 billion as at December 31, 2019 and represent approximately 79%of total assets. The classification and valuation of loans to customers is relevant for the audit because the amount of loans is significant for the financial statements as a whole and because the related impairment losses are determined by the directors through the use of estimates that have a high degree of complexity and subjectivity. Among these, the following are particularly relevant: • identification and calibration of parameters for determining the significant increase in credit risk (SICR), compared to initial recognition, for the purpose of allocating performing exposures between the Stage 1 and the Stage 2; • set-up of models, incorporating forward-looking information, for the calculation of expected credit losses (ECL – Expected Credit Losses) at 1 year for exposures in Stage 1 and lifetime for exposures in Stage 2; • identification of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) input parameters of the ECL calculation models; • identification of evidence of impairment, with the consequent classification of exposures in Stage 3 (non-performing loans); • for exposures classified in Stage 3, the determination of criteria for the expected cash flows estimate including, in addition to the ordinary recovery strategy based on the collection through legal actions, realization of real estate guarantees, mandates to collection companies, also the selling scenario of the loan. The disclosures regarding the changes in the quality of the loans to customers portfolio and on the classification and measurement criteria adopted is provided in Part A - Accounting policies, Part B - Information on the balance sheet, Part C - Information on the income statement and Part E - Information on risks and related hedging policies of the notes to the financial statements.	In relation to this aspect, our audit procedures included, among others: • understanding of the policies, processes and controls in relation to the classification and measurement of loans to customers and performing of tests on the key controls, including those relating to IT applications, with the support of our specialists in IT systems, in order to verify their operational effectiveness; • performing substantive procedures aimed at verifying on a sample basis the correct classification and measurement of credit exposures; • understanding, also with the support of our specialists in valuations of financial instruments and information systems, of the methodology applied in relation to impairment losses calculated with a statistical methodology and the reasonableness of the assumptions adopted, as well as the performing of test of controls and substantive procedures aimed at the verification of the accurate determination of the PD, LGD and EAD parameters, relevant for the purpose of determining the impairment losses; • performing comparative analysis of the portfolio of loans to customers and the related coverage level, with reference to the most significant changes as compared to the previous year figures; • verification, through the analysis of the supporting documentation, of the accounting for the disposals occurred in the year, as envisaged by the NPL strategy aimed at the reduction of the stock of non-performing loans; Furthermore, we examined the adequacy of the disclosures provided in the notes to the financial statements.

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Recoverability of the “non-convertible” deferred tax assets

The item 110 “Tax assets” of the consolidated balance sheet includes deferred tax assets amounting to Euro 1,200 million, of which Euro 490 million are “non-convertible” into tax credits (since they are not included in the scope of Law 214/2011), deriving from tax losses that can be carried forward indefinitely and from other deductible temporary differences.

In order to ascertain the existence of the conditions for the recognition of “non-convertible” deferred tax assets, management assessed their recoverability (as required by the international accounting standard IAS 12 “Income Taxes”) by considering the expected taxable income of the Parent Company, Crédit Agricole Italia S.p.A., as well as by taking into account the tax consolidation regime of the Crédit Agricole S.A. Group in Italy.

The assessment of the recoverability of “non-convertible” deferred tax assets is a key audit matter for the audit because their value is significant to the financial statements as a whole, and because their valuation is based on a model that provides for the use of assumptions and estimates that have a high degree of complexity and subjectivity, with specific reference to:

- the estimation of taxable income expected during the time period considered for the recovery;
- the interpretation of the applicable tax legislation.

The disclosures regarding the deferred tax assets, including the “non-convertible” ones, is provided in Part A - Accounting policies, Part B - Information on the balance sheet and Part C - Information on the income statement of the notes to the financial statements.

In response to this aspect, our audit procedures included, amongst others:

- understanding of the Management's process and controls in relation to the assessment of the recoverability of the “non-convertible” deferred tax assets and the testing of key controls, in order to verify their operational effectiveness;
- analysis, also with the support of our specialists in business valuations, of the management estimates related to the Group forecasted income statement and balance sheet figures and of the additional assumptions used for the purpose of estimating the future taxable income;
- analysis, also with the support of our tax experts, of the reasonableness of the assumptions adopted for the development of the probability test based on the applicable tax legislation to the different types of temporary deductible differences;
- verification of the accuracy of the calculation made to develop the probability test.

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

Impairment test of Goodwill

Goodwill included in line item 100 of the balance sheet of the consolidated financial statements for the year ended December 31, 2019 amounts to Euro 1,576 million and is allocated to the Retail / Private cash-generating unit (CGU) for Euro 1,502 million while the remaining amount is allocated to the Business / Corporates CGU.

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

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

- an understanding of the method for determining the recoverable amount adopted by the Bank, as part of the impairment testing process approved by the proper governance bodies;
- the execution of testing on key controls in order to verify their operational effectiveness;
- a comparison of the actual results achieved in the 2019 with the corresponding budget figures, in order to understand the reasons underlying the main differences.

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

In this context, for the purpose of estimating future cash flows, management used the budget figures for the year 2020 and the medium-long term financial forecast for the period 2021-2024.

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

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

We engaged our valuation specialists to assist us in performing the procedures with reference to the adequacy of the methodology and assumptions used by the Directors to determine the "value in use" as well as in verifying the mathematical accuracy of the calculation and the sensitivity analysis on the key assumptions.

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

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

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

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the parent company Credit Agricole Italia S.p.A. or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

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

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

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

Report on compliance with other legal and regulatory requirements

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

The Directors of Crédit Agricole Italia S.p.A. are responsible for the preparation of the Management Report and the Report on Corporate Governance and Ownership Structure of the Group as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Management Report and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998, with the consolidated financial statements of the Group as at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Management Report and the above-mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of the Group as at December 31, 2019 and comply with the applicable laws and regulations.

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

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

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

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

Milan, April 6, 2020

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

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

7

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

Assets		31.12.2019	31.12.2018
10.	Cash and cash equivalents	370,059	295,958
20.	Financial assets measured at fair value through profit or loss	125,010	125,156
	a) financial assets held for trading;	97,400	97,425
	b) financial assets designated at fair value	–	–
	c) other financial assets mandatorily measured at fair value	27,610	27,731
30.	Financial assets measured at fair value through other comprehensive income	3,068,244	3,260,746
40.	Financial assets measured at amortized cost	56,343,788	54,538,381
	a) loans from banks	4,743,595	3,537,099
	b) loans to customers	51,600,193	51,001,282
50.	Hedging derivatives	759,816	575,331
60.	Fair value change of financial assets in macro-hedge portfolios (+/-)	119,729	40,153
70.	Equity investments	20,483	27,755
80.	Technical insurance reserves reassured with third parties	–	–
90.	Property, Plant and Equipment	1,017,849	847,790
100.	Intangible assets	1,912,606	1,936,197
	– of which goodwill	1,575,536	1,575,536
110.	Tax assets	1,504,346	1,639,049
	a) current	304,325	313,111
	b) deferred	1,200,021	1,325,938
120.	Non-current assets held for sale and discontinued operations	–	–
130.	Other assets	412,429	463,033
Total assets		**65,654,359**	**63,749,549**

Liabilities and Equity		31.12.2019	31.12.2018
10.	Financial liabilities measured at amortized cost	56,003,022	54,188,823
	a) Loans to banks	6,105,259	6,029,653
	b) Loans to Customers	40,795,173	39,698,913
	c) Debt securities issued	9,102,590	8,460,257
20.	Financial liabilities held for trading	81,980	73,515
30.	Financial liabilities designated at fair value	–	–
40.	Hedging derivatives	509,730	564,549
50.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	421,173	361,962
60.	Tax liabilities	275,107	264,790
	a) current	184,715	155,808
	b) deferred	90,392	108,982
70.	Liabilities associated with non-current assets held for sale and discontinued operations	–	–
80.	Other liabilities	1,316,885	1,392,866
90.	Employee severance benefits	123,894	135,722
100.	Provisions for risks and charges	335,516	388,612
	a) financial guarantees and other commitments	33,656	37,254
	b) post-employment and similar obligations	37,325	38,273
	c) other provisions for risks and charges	264,535	313,085
110.	Technical reserves	–	–
120.	Valuation reserves	-62,199	-142,181
130.	Redeemable shares	–	–
140.	Equity instruments	715,000	715,000
150.	Reserves	1,379,853	1,266,117
160.	Share premium reserve	3,117,840	3,117,708
170.	Capital	979,233	962,672
180.	Treasury shares (-)	–	–
190.	Minority interests (+/-)	143,256	185,496
200.	Profit (Loss) for the year (+/-)	314,069	273,898
Total liabilities and equity		**65,654,359**	**63,749,549**

INCOME STATEMENT

Items		31.12.2019	31.12.2018
10.	Interest and similar income	928,260	927,732
	Of which: interest income calculated with the effective interest method	924,255	921,427
20.	Interest and similar expense	81,425	65,550
30.	**Net interest income**	**1,009,685**	**993,282**
40.	Fee and commission income	956,144	931,731
50.	Fee and commission expense	(43,378)	(40,184)
60.	**Net fee and commission income**	**912,766**	**891,547**
70.	Dividends and similar income	11,368	12,614
80.	Net profit (loss) on trading activities	15,147	10,711
90.	Net profit (loss) on hedging activities	(10,121)	(10,832)
100.	Profit (losses) on disposal or repurchase of:	(8,883)	31,951
	a) financial assets measured at amortized cost	(12,046)	5,444
	b) financial assets measured at fair value through other comprehensive income	3,314	26,428
	c) financial liabilities	(151)	79
110.	Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(29)	3,176
	a) financial assets and liabilities designated at fair value	–	–
	b) other financial assets mandatorily measured at fair value	(29)	3,176
120.	**Net interest and other banking income**	**1,929,933**	**1,932,449**
130.	Net losses/recoveries for credit risk on:	(219,605)	(252,314)
	a) financial assets measured at amortized cost	(218,491)	(251,366)
	b) financial assets measured at fair value through other comprehensive income	(1,114)	(948)
140.	Profits/Losses on contract modifications without derecognition	(3,357)	(1,037)
150.	**Net income from banking activities**	**1,706,971**	**1,679,098**
160.	Net premium income	–	–
170.	Other net insurance income/expenses	–	–
180.	**Net income from banking activities and insurance activities**	**1,706,971**	**1,679,098**
190.	Administrative expenses:	(1,359,657)	(1,455,586)
	a) personnel expenses	(727,755)	(742,023)
	b) other administrative expenses	(631,902)	(713,563)
200.	Net provisions for risks and charges	(5,633)	23,378
	a) commitments and guarantees given	3,244	4,592
	b) other net provisions	(8,877)	18,786
210.	Net adjustments of/recoveries on property, plant and equipment	(80,163)	(44,266)
220.	Net adjustments of/recoveries on intangible assets	(90,853)	(84,748)
230.	Other operating expenses/income	283,784	294,346
240.	**Operating costs**	**(1,252,522)**	**(1,266,876)**
250.	Profit (losses) on equity investments	12,806	8,530
260.	Profit (losses) from property, plant and equipment and intangible assets measured at fair value	–	–
270.	Impairment on goodwill	–	–
280.	Profit (losses) on disposals of investments	497	118
290.	**Profit (Loss) before tax from continuing operations**	**467,752**	**420,870**
300.	Taxes on income from continuing operations	(141,596)	(128,817)
310.	**Profit (Loss) after tax from continuing operations**	**326,156**	**292,053**
320.	Profit (Loss) after tax from discontinued operations	–	–
330.	**Profit (Loss) for the year**	**326,156**	**292,053**
340.	Net profit (loss) for the year attributable to minority interests	(12,087)	(18,155)
350.	**Net profit (loss) for the year attributable to the Parent Company**	**314,069**	**273,898**

STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2019	31.12.2018
10.	**Net Profit (Loss) for the year**	**326,156**	**292,053**
	Other comprehensive income after tax not recycled to profit or loss		
20.	Equity securities designated at fair value through other comprehensive income	(5,023)	(2,945)
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	(2,571)	(2,120)
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 recycled 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	92,257	(123,513)
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 tax	84,663	(128,578)
180.	**Comprehensive income (Item 10+170)**	**410,819**	**163,475**
190.	Consolidated comprehensive income attributable to Minority Interests	14,460	11,654
200.	**Consolidated comprehensive income attributable to the Parent Company**	**396,359**	**151,821**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019

	Capital:	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Treasury shares	Net Profit (Loss) for the year	Shareholders' equity
	ordinary shares		Retained earnings	Other					
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2018	962,672	3,117,708	1,280,626	-14,509	-142,181	715,000	–	273,898	6,193,214
MINORITY INTEREST AS AT 31 DEC. 2018	64,976	98,636	6,595	2,939	- 5,805	–	–	18,155	185,496
CHANGE IN OPENING BALANCES	–	–	–	–	–	–	–	–	–
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2019	962,672	3,117,708	1,280,626	-14,509	-142,181	715,000	–	273,898	6,193,214
MINORITY INTERESTS AS AT 1 JANUARY 2019	64,976	98,636	6,595	2,939	-5,805	–	–	18,155	185,496
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR									
Reserves	–	–	151,683	–	–	–	–	-151,683	–
Dividends and other allocations	–	–	–	–	–	–	–	-140,370	-140,370
CHANGES FOR THE PERIOD									
Change in reserves	–	–	1,092	9	–	–	–	–	1,101
Transactions on equity	–	–	–	–	–	–	–	–	–
Issue of new shares	16,561	132	–	–	–	–	–	–	16,693
Purchase of treasury shares	–	–	–	–	–	–	–	–	–
Change in equity instruments	–	–	-52,391	–	–	–	–	–	-52,391
Charity	–	–	500	–	–	–	–	–	500
Consolidation adjustments	–	–	–	–	–	–	–	–	–
Shares and rights on shares of the Parent Company assigned to employees and directors	–	–	–	10	–	–	–	–	10
Changes in equity interests	-24,559	-11,386	8,129	–	-204	–	–	–	-28,020
Comprehensive income	–	–	–	–	84,663	–	–	326,156	410,819
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 INTERESTS AS AT 31 DEC. 2019	**40,417**	**87,250**	**1,891**	**2,939**	**-1,328**	**–**	**–**	**12,087**	**143,256**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018

	Capital:	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Treasury shares	Profit/(Loss) for the year	Shareholders' equity
	ordinary shares		Retained earnings	other					
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2017	934,838	2,997,386	1,164,710	- 14,534	- 18,941	365,000	- 4,065	690,240	6,114,634
MINORITY INTEREST AS AT 31 DEC. 2017	100,356	135,025	9,787	2,939	695	–	- 963	11,640	259,479
CHANGE TO OPENING BALANCES	–	–	- 470,799	–	911	–	–	–	-469,888
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2018	934,838	2,997,386	718,488	- 14,534	- 18,030	365,000	- 4,065	690,240	5,669,323
MINORITY INTERESTS AS AT 1 JANUARY 2018	100,356	135,025	-14,596	2,939	501	–	-963	11,640	234,902
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR									
Reserves	–	–	575,482	–	–	–	–	-575,482	–
Dividends and other allocations	–	–	–	–	–	–	–	-126,398	-126,398
CHANGES FOR THE PERIOD									
Changes in reserves	–	–	2,325	–	–	–	–	–	2,325
Transactions on equity	32	–	–	–	–	–	–	–	32
Issue of new shares	27,834	120,322	–	–	–	–	–	–	148,156
Purchase of treasury shares	–	–	–	–	–	–	–	–	–
Change in equity instruments	–	–	-23,771	–	–	350,000	–	–	326,229
Charity	–	–	1,472	–	–	–	–	–	1,472
Consolidation adjustments	–	–	6,836	–	-1,880	–	5,028	–	9,984
Shares and rights on shares of the Parent Company assigned to employees and directors	–	–	–	25	–	–	–	–	25
Changes in equity interests	- 35,412	- 36,389	20,985	–	–	–	–	–	-50,816
Comprehensive income	–	–	–	–	-128,577	–	–	292,053	163,476
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2018	**962,672**	**3,117,708**	**1,280,626**	**-14,509**	**-142,181**	**715,000**	**–**	**273,898**	**6,193,214**
MINORITY INTEREST AS AT 31 DEC. 2018	**64,976**	**98,636**	**6,595**	**2,939**	**-5,805**	**–**	**–**	**18,155**	**185,496**

STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2019

	31.12.2019	31.12.2018
A. OPERATING ACTIVITIES		
1. Cash flows from operations	**1,294,783**	**1,082,046**
- profit (loss) for the year (+/-)	314,069	273,898
- "Gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair through profit or loss(-/+)"	-6,935	1,637
- Gains/losses on hedging activities (-/+)	66,748	10,832
- Net losses/recoveries for credit risk (+/-)	187,297	211,153
- Net adjustments of/recoveries on property, plant and equipment and intangible assets (+/-)	171,016	129,014
- Net provisions for risks and charges and other costs/revenues (+/-)	5,633	-23,378
- taxes and tax credits not settled (+)	141,596	128,817
- Net adjustments /recoveries on discontinued operations net of tax effect (-/+)	-	-
- Other adjustments (+/-)	415,359	350,073
2. Cash flow generated/absorbed by financial assets	**-1,692,116**	**391,196**
- Financial assets held for trading	6,724	15,066
- Financial assets designated at fair value	-	-
- Financial assets mandatorily measured at fair value	356	2,890
- Financial assets measured at fair value through other comprehensive income	319,741	-48,876
- Financial assets measured at amortized cost	-1,991,857	214,374
- Other assets	-27,080	207,742
3. Cash flow generated/absorbed by financial liabilities	**821,082**	**-3,413,256**
- Financial liabilities measured at amortized cost	1,332,862	-3,301,861
- Financial liabilities held for trading	8,465	-2,305
- Financial liabilities designated at fair value	-	-
- Other liabilities	-520,245	-109,090
Net cash flow generated/absorbed by operating activities	**423,749**	**-1,940,014**
B. INVESTING ACTIVITIES		
1. Cash flow generated by:	**25,595**	**24,586**
- sales of equity investments	12,522	11,731
- dividend received on equity investments	11,368	12,614
- sales of property, plant and equipment	1,705	241
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flow absorbed by:	**-199,175**	**-126,966**
- purchases of equity investments	-12,082	-5,917
- purchases of property, plant and equipment	-105,391	-54,049
- purchases of intangible assets	-81,702	-67,000
- purchases of business units	-	-
Net cash flows generated/absorbed by investing activities	**-173,580**	**-102,380**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	16,693	148,156
- issues/purchases of equity instruments	-52,391	326,229
- distribution of dividends and other	-140,370	-126,398
Net cash flows generated/absorbed by funding activities	**-176,068**	**347,987**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	**74,101**	**-1,694,407**

RECONCILIATION

Financial Statement items	31.12.2019	31.12.2018
Cash and cash equivalents at beginning of year	295,958	1,990,365
Total net increase/decrease in cash and cash equivalents for the year	74,101	-1,694,407
Cash and cash equivalents: foreign exchange effect	-	-
Closing cash and cash equivalents	**370,059**	**295,958**

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.

	31.12.2018	Changes from cash flows generated by financing activities	Changes from obtaining or losing control of subsidiaries or other businesses	Fair value changes	Other changes	31.12.2019
Liabilities arising from financing activities (items 10, 20, 30 of Liabilities)	54,262,338	1,898,317	-	-75,653	-	56,085,002

Note to the Consolidated Financial Statements

PART A – ACCOUNTING PRINCIPLES

A.1 GENERAL PART

Section 1 – Statement of compliance with the International Accounting Standards

The consolidated Financial Statements of the Crédit Agricole Italia Banking Group have been prepared pursuant to Italian Legislative Decree No. 38 of 28 February 2005, in accordance with the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission, as provided for by Regulation (EC) No. 1606 of 19 July 2002.

Therefore, the IAS/IFRS in force as at 31 December 2019 (including the interpretations documents called SIC and IFRIC) have been applied, as endorsed by the European Commission and listed in detail in the specific table in an annex to these Financial Statements.

The financial statements and the contents of the Note to the Financial Statements have been prepared in compliance with the provisions set down in Circular No. 262 “Banks’ financial statements: layout and preparation” issued by the Bank of Italy on 22 December 2005, within the exercise of its powers as provided for in Article 9 of Italian Legislative Decree No. 38/2005 and in compliance with the subsequent updates issued, the latest one is the 6th update published on 30 November 2018.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND IN FORCE SINCE 2019

In compliance with IAS 8, the table below gives the new International Accounting Standards and International Financial Reporting Standards, or the amendments to standards already in force, and the related endorsement Regulations, which shall be applied to reporting periods starting on or after 1 January 2019.

Standards, amendments or interpretations	Publication date	Date of first application
IFRS 16 Leases Replacement of IAS 17 for recognition of leases	09 November 2018 (EU No. 1986/2017)	1 January 2019
Amendment to IFRS 9 – Financial instruments Prepayment Features with Negative Compensation	26 March 2018 (EU No. 498/2018)	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments Interpretation of IAS 12 on measurement and recognition of tax assets or liabilities in when there is uncertainty in the tax legislation application	24 October 2018 (EU No. 2018/1595)	1 January 2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures The objective of the amendments is to clarify that the impairment requirements of International Financial Reporting Standard (IFRS) 9 Financial Instruments apply to Long Term Interests in Associates and Joint Ventures.	11 February 2019 (EU No. 2019/237)	1 January 2019
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement The objective of the amendments is to clarify that, after a defined-benefit plan amendment, curtailment or settlement occurs, an entity should apply the updated assumptions from the remeasurement of its net defined benefit liability (asset) for the remainder of the reporting period.	14 March 2019 (EU No. 2019/402)	1 January 2019
Annual Improvements to IFRS 2015–2017 Cycle Amendments to IAS 12 Income Taxes, to IAS 23 Borrowing Costs, IFRS 3 Business Combinations and IFRS 11 Joint Arrangements.	15 March 2019 (EU No. 2019/412)	1 January 2019

The new IFRIC Interpretation 23 'Uncertainty over Income Tax Treatments" clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The application of the aforementioned Interpretation did not have any impact on these financial statements.

The new IFRIC Interpretation 23 'Uncertainty over Income Tax Treatments" clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The application of the aforementioned Interpretation did not have any impact on these financial statements.

The Annual Improvements to IFRS 2015–2017 Cycle implemented amendments and interpretations of existing standards with no impacts for the Group. They include the amendments to IAS 12 – Income taxes (which confirmed the goodness of the accounting choice made by the Crédit Agricole Italia Banking Group as regards recognition in the Income Statement of the tax effect resulting from the deductibility of the remuneration paid to subscribers of the Additional Tier 1 instruments issued by Crédit Agricole Italia since December 2016), IAS 23 Borrowing Costs, IFRS 3/IFRS 11 Business Combinations, IAS 19 Employee Benefits and a second amendment to IAS 28 Investments in associates and joint ventures applicable to reporting periods starting on or after 1 January 2019.

As regards the new standards and amendments thereto applying to reporting periods starting on or after 1 January 2019, the Group has not identified any material impacts on its Consolidated Financial Statements as at 31 December 2019, except for those reported below concerning the first-time adoption of IFRS 16.

1.2 TRANSITION TO IFRS 16 "LEASES"

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

The new standard requires entities to determine whether a contract is (or contains) a lease, based on the right to control the use of an identified asset for a given period of time; therefore, rental, hire, lease or loan agreements are in the scope of application of the new standard.

1.2.1 Leases in which the Group is the lessee

IFRS 16 has implemented material changes in the recognition of leases by the lessee, eliminating the distinction between finance and operating leases and requiring the use of just one accounting model for lessees, going from a "Risk and rewards" approach to a "Right of use" ("RoU") approach.

Therefore, for all leases in which it is the lessee, the reporting entity shall recognize the items listed below in its balance sheet:

- Future lease payments, which shall be recognized under financial liabilities as Lease Liability, which reports the obligation to make future payments and is discounted at the incremental borrowing rate (the liability decreases in accordance with payments made and increases by the amount of accrued interest due);
- The right of use, as expressed in the contracts, which shall be recognized as a lease asset reporting its value in a separate row in the Balance Sheet, under Property, plant and equipment (RoU Asset) to be calculated as the sum of the lease liability, the initial direct costs, any payments made on or before the contract effective date (net of any lease incentives received) and of dismantling and restoration costs.

In the Income Statement, operating lease payments shall no longer be recognized under administrative expenses in accordance with IAS 17, but the following items shall be recognized:

- The expenses for depreciation of right of use asset over the lease term of validity on a straight-line basis (impact on income from operations);
- Interest expenses accrued on the financial liability (impact on financial expenses and on financial income).

The minimum disclosure requirements for the lessee include:

- The subdivision of underlying assets into "classes";
- Breakdown by maturity of lease liabilities;
- Information potentially useful to better understand the lessee's business with reference to the lease contracts (e.g. early repayment or extension options).

Furthermore, it is specified that, based on the IFRS 16 requirements and the clarifications given by IFRIC (document "Cloud Computing Arrangements" of September 2018), software shall not fall in the IFRS 16 scope; therefore, all software shall be recognized in accordance with IAS 38 and the related requirements.

1.2.2 Leases in which the Group is the lessor

The new standard caused no substantial changes, except for some additional disclosure and reporting requirements, in the recognition of leases by lessors, for which the distinction between operating leases and finance leases has been maintained. Leases are considered finance leases if they transfer all risks and rewards of ownership; otherwise, leases are classified as operating leases.

For finance lease contracts entered into by the Crédit Agricole Italia Banking Group as the lessor, the leased assets are recognized as receivables in the Balance Sheet with a value equal to the lease net investment, while interest income (financial components of lease fees) is recognized in the Income Statement, and the fee part representing principal repayment reduces the receivable value.

1.2.3 Transition to IFRS 16

Upon its first-time adoption of the new standard, consistently with the directions given by the Parent Company CASA, the Crédit Agricole Italia Banking Group applied the modified retrospective approach (option b) pursuant to paragraph C.5 b) of IFRS 16 for contracts previously classified as operating leases, with no restatement of comparative information.

With this approach, as at 1 January 2019, the Group recognized a lease liability, whose balance was determined by discounting the future lease payments remaining at the date of first adoption and a property, plant and equipment asset (right of use) having the same amount as the lease liability adjusted, where the case, by the amount of the advanced lease payment made or to be made and recognized in balance sheet immediately before the first adoption date. In accordance with paragraph C.10b of IFRS16, the Group adjusted the right-of-use asset as at the FTA date for the amount of onerous lease provisions recognized in accordance with IAS 37 in the balance sheet immediately before the FTA date. The IFRS16 adoption generated no impacts on equity.

At fist-time adoption, the Group also applied the practical expedient of which in paragraph C.10c, which gives the possibility not to recognize leases whose lease term ends within 12 months of the date of first-time adoption.

The discount rate used to calculate the right-of-use asset and the lease liability is the incremental borrowing rate as at the fist-time adoption of IFRS 16, applied to the remaining lease term as of 1 January 2019. The incremental borrowing rate has been determined as reported in the next section "1.2.4 Perimeter of leases in which the Group is the lessee".

For leases that were previously classified as finance leases, the Group restated the book value of the leased asset and of the lease liability as the right-of-use asset and lease liability as at the date of first-time adoption, as per the reporting approach required by IFRS 16.

1.2.4 Perimeter of leases in which the Group is the lessee

For leases entered into before the transition date, the Group applied IFRS 16 to contracts identified as leases pursuant to IAS 17 and IFRIC 4, as permitted by paragraph C3 of IFRS16.

For Crédit Agricole FriulAdria, the scope of application comprises property leases and car rentals.

Property leases represent the mostly impacted scope, accounting for over 99% of the value of the right-of-use assets recognized as at the date of first-time adoption; those leases concern properties used as branches, officers and guest accommodation.

Car rentals, albeit many, are not material in terms of the total amount of right-of-use assets recognized upon FTA.

In determining the scope of application of the new standard, the Group exercised the options for the following recognition exemptions pursuant to the standard:

- Short-term lease exemption (i.e leases with term of less than 12 months);
- Low value lease exemption (leases with the underlying asset worth less than Euro 5 thousand).

The fees for these leases were recognized under administrative expenses in the income statement and no right-of-use asset was recognized.

Having regard to the lease term, both on first-time adoption and afterwards, in compliance with the standard, the Group decided to take into account the following:

- For operating property leases and contracts that have not yet been renewed, only one renewal of six years is taken into account, in addition to the remaining portion of the lease term underway; for contracts that have already been renewed at least once only the remaining portion of the renewed lease term underway is taken into account. The above shall apply unless any contractual clauses prohibiting it or unless additional renewals or the termination of the lease contract are to be considered because of specific facts or circumstances;
- For leases of guest accommodation property, no contract renewal applies;
- For car leases, only the remaining portion of the four-year term;
- Exemption from recognizing short-term leases, i.e. with the remaining term portion, as at the first-time adoption date, of less than 12 months.

As regards the discount rate, when the interest rate implicit in the lease is not available, the Group decided to use an incremental borrowing rate determined as a single curve of interest rates calculated based on a risk-free rate (i.e. market interest rate) and on the liquidity spread ("liquidity grid") representing the cost of funding of the Crédit Agricole Italia Banking Group. It is an unsecured bullet rate curve, which is applied considering the different lease terms in accordance with the standard.

1.2.5 Impacts generated by the IFRS 16 first-time adoption

The first-time adoption of IFRS16 did not generate any impact on consolidated equity, because, with the modified retrospective approach (option b), the value of the assets and liabilities recognized is equal, net of the leases previously classified as finance leases in accordance with IAS 17.

The table below reports the balance sheet items impacted by the change in opening balances:

(Data in thousands of Euro)	31.12.2018	IFRS 16 FTA effect	01.01.2019 IFRS 16
Assets			
90. Property, Plant and Equipment	847,790	201,939	1,049,729
130. Other assets	463,333	-240	463,093
Total impact		**201,699**	
Liabilities and Equity			
10. Financial liabilities measured at amortized cost	54,188,823	205,213	54,394,036
80. Other liabilities (*)	1,392,866	-3,514	1,389,352
Total impact		**201,699**	

(*) In accordance with paragraph C.10b of IFRS16, the Group adjusted the right-of-use asset as at the FTA date for the amount of onerous lease provisions recognized in accordance with IAS 37 under "other liabilities" in the balance sheet/statement of financial position immediately before the FTA date.

The weighted average of the lessee's incremental borrowing rate, applied to the lease liabilities recognized in the balance sheet as at the FTA date, was 2.06%.

1.2.6 Reconciliation between commitments for IAS 17 operating leases as at 31 December 2018 and IFRS 16 lease liabilities as at the first-time adoption date

Reconciliation of lease liabilities	01.01.2019
Commitments for IAS 17 operating leases not discounted as at 31 December 2018	281,966
IFRS 16 recognition exemptions	-48,908
– short-term leases	-6,849
– low-value leases	-42,059
Other changes	-9,381
Operating lease liabilities to be recognized in the Balance Sheet as at 1 Jan. 2019 not discounted	223,677
Discount effect on operating lease liabilities	-18,464
Operating lease liabilities as at 1 Jan. 2019	**205,213**
Former IAS 17 finance lease liabilities as at 1 Jan. 2019	1,135
Total IFRS 16 lease liabilities as at 1 Jan. 2019	**206,348**

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND APPLICABLE SUBSEQUENT TO 31.12.2019

For its financial statements as at 31 December 2019, the Group did not adopt standards and interpretations that, on 31 December 2019, had already been published by IASB and endorsed by the European Union, but that are applicable to reporting periods starting on or after 1 January 2020.

Standards, amendments or interpretations	Publication date	Date of first application
Amendments to IAS 1 and IAS 8: Definition of Material	10 December 2019 (EU No. 2019/2104)	1 January 2020
Amendments to IAS 39, IFRS 7 e IFRS 9- Interest rate benchmark reform	16 January 2020 (EU No. 2020/34)	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards *The amendments are intended to update references to the previous Conceptual Framework in several standards and interpretations replacing them with references to the revised Conceptual Framework for Financial Reporting.*	6 December 2019 (EU No, 2075/2019)	1 January 2020

INTERNATIONAL ACCOUNTING STANDARDS NOT YET ENDORSED BY THE EUROPEAN UNION

The standards and interpretations that were published by IASB but have not yet been endorsed by the European Union are not applicable by the Group.

Document title	Issued by IASB on	Date of entry into force of the IASB document	Expected date of endorsement by the EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	(Note 1)	(Note 1)
IFRS 17 Insurance Contracts	May 2017	1 January 2021	TBD
Amendments			
Amendments to IFRS 3 Business Combinations	**October 2018**	**1 January 2020**	**2020**
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	January 2020	1 January 2022	TBD

(Note 1) IFRS 14 entered into force on 1 January 2016, but the European Commission decided to suspend the endorsement process and to wait for the new standard on "rate-regulated activities"

On 18 May 2017, the International Accounting Standard Board (IASB) published the new IFRS 17 "Insurance contracts". This standard shall apply to reporting periods starting on or after 1 January 2021, granted that it is endorsed by the European Union.

Specifically, the new standard provides for three approaches to measure insurance contracts:
1. Building Block Approach (BBA) — the general measurement approach for long-term contracts.
2. Premium Allocation Approach (PAA) — a streamlined model (mainly for short-term contracts).
3. Variable Fee Approach (VFA) — for contracts with direct participation features.

On 26 June 2019, IASB published publish the Exposure Draft "Amendments to IFRS 17, responding to concerns and challenges on the IFRS 17 implementation. The Board also proposed to defer the mandatory effective date of IFRS 17 by one year, so that entities will be required to apply IFRS 17 for annual periods beginning on or after 1 January 2022.

Section 2 – General accounting standards

The Annual Report and Financial Statements consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Note to the Financial Statements, as well as of the Management Report on the performance of operations, on the profits (losses) made and on the Group's financial and cash flow position

In accordance with Article 5 of Italian Legislative Decree No. 38/2005, the Euro has been used as the reporting currency. The amounts in the Financial Statements, in the Note to the Financial Statements and in the Management Report are expressed in thousands of Euro, where not otherwise specified.

The Annual Report and Financial Statements have been prepared in compliance with the general presentation principles set down by IAS 1 and with the specific accounting standards endorsed by the European Commission and reported in Part A.2 of this Note.

No exceptions were made in applying the IASs/IFRSs.

The financial statements are compliant with the layouts and requirements set out in Bank of Italy Circular No. 262 of 22 December 2005 "Banks' financial statements: layout and preparation" (6th update published on 30 November 2018).

The Annual Report and Financial Statements as at 31 December 2019 have been prepared on a going-concern basis, as the Group is believed to continue in operation in the foreseeable future.

Despite such a complex and continuously evolving scenario, the analyses performed based on the information at present available have given evidence to conclude that the Group will be able to handle the risks and uncertainties resulting from the Covid-19 pandemic.

As regards the reporting required pursuant to IFRS 7 on the risks which the Group is exposed to, appropriate information is provided in the Management Report and in the Note to the Financial Statements, specifically in Section E

The Note to the Financial Statements also reports the verifications that were carried out in order to assess any impairment of financial assets and intangible assets (including goodwill).

USE OF ESTIMATES AND ASSUMPTIONS IN PREPARING THE ANNUAL REPORT AND FINANCIAL STATEMENTS

To prepare the Annual Report and Consolidated Financial Statements, estimates and assumptions must be made, which can generate significant effects on the values recognized in the Balance Sheet and in the Income Statement, as well as on the information on contingent assets and liabilities reported.

Making such estimates entails the use of the information that is available at the relevant time and of subjective assessments.

By their very nature, the estimates and assumptions used may vary from one period to another. Therefore, it cannot be ruled out that the recognized values for this reporting period may vary, even to a significant extent, in future periods, subsequent to any changes in the subjective assessments used. Considering the present uncertainty in the macroeconomic scenario, especially subsequent to the Covid-19 pandemic, estimates and assumptions are difficult and entail unavoidable uncertainty elements, even in stable macroeconomic conditions.

Material factors for any assessment of the effects of the Covid-19 pandemic on the economy are its duration and the measures implemented to contain it; therefore, as further commented in section 4 below, FOR THE TIME BEING any quantitative estimate of Covid-19 potential impact is believed impossible.

The main instances that require the use of subjective assessments to be made by the Senior Management are the following:

- Quantifying losses resulting from the impairment of loans and of other financial assets in general;
- Using measurement models for the recognition of the fair value of financial instruments that are not listed on active markets;
- Using measurement models for equity investments;
- Assessing the consistency of the value of goodwill and of the other intangible assets;
- Quantifying the provisions for staff and for risks and charges;
- Estimating the recoverability of deferred tax assets;
- Calculating the fair value of financial instruments to be used for financial reporting purposes.

The description of the accounting policies applied to the main aggregates reported in the financial statements provides detailed information on the major assumptions made and subjective assessments used in preparing the financial statements.

CONTENTS OF THE FINANCIAL STATEMENTS

Bank of Italy – Circular no. 262 of 22 December 2005 “Banks’ financial statements: layouts and preparation”: 6th update

On 30 November 2018, the Bank of Italy published the 6th update of its Circular no. 262 of 22 December 2005, in order to implement the new IFRS 16 “Leases”, which was endorsed with Regulation (EU) 2017/1986 of 31 October 2017 and which has replaced IAS 17 for the accounting treatment of leases in reporting periods starting on or after 1 January 2019. It also implemented the subsequent amendments to other international accounting standards, including IAS 40 on investment property, aimed at ensuring overall consistency of the accounting framework.

The update also implemented IFRS 12 “Disclosure of Interests in Other Entities”, which has clarified that the reporting obligations in force as regards equity investments shall apply also to equity investments held for sale; the reporting in the note to the financial statements on credit risk has also been supplemented requiring more information on financial assets classified as “non-current assets held for sale and discontinued operations” pursuant to IFRS 5.

The update, which is a full revision of the Circular, shall apply to the financial statements with reporting dates on or after 31 December 2019.

Balance Sheet and Income Statement

The Balance Sheet and Income Statement contain items, sub-items and further information (the “of which” for items and sub-items) and comply with the templates supplied by the Bank of Italy with Circular No. 262 of 22 December 2005 (6th update published on 30 November 2018).

In order to facilitate understanding of the figures, the statements are given in full including also the items with no amounts for the reporting year, and with no amounts for the previous year. In the Income Statement, revenues are set forth without a sign, while expense figures are set forth in parenthesis.

Statement of Comprehensive Income

The statement of comprehensive income consist of items showing the changes in the value of the assets recognized in the year offsetting the valuation reserves, net of the related tax effect.

As for the Balance Sheet and the Income Statement, in the statements, in accordance with the Bank of Italy's definition, the items with no amounts for the reporting year, and with no amounts for the previous one, have also been stated.

Negative amounts are set forth in parenthesis.

Statement of Changes in Equity

In order to facilitate understanding of the figures, the rows and columns of the Statement of Changes in Equity were inverted with respect to the same statement layout provided for by the above Bank of Italy Circular No. 262/2005. The statement shows the composition and movements of the shareholders' equity items during the reporting year and in the previous one, broken down into share capital (ordinary shares and savings shares), capital reserves, retained earnings reserves, comprehensive income and net profit or loss.

The value of treasury shares is deducted from equity.

Statement of Cash Flows

The statements of cash flows for the reporting period and for the previous one were prepared using the indirect method, based on which cash flows from operating activities are represented by the profit or loss for the year, adjusted for the effects of non-monetary transactions.

Cash flows are broken down into flows generated by operations, investment operations and funding.

In the Statement, cash flows generated in the period are reported without sign, while those absorbed are reported with a negative sign.

CONTENTS OF THE NOTE TO THE FINANCIAL STATEMENTS

The Note to the Financial Statements contains the information required by Bank of Italy Circular no. 262/2005, with its updates and specifications already applicable, as well as further information required by the international accounting standards/International Financial Reporting Standards.

As for the Balance Sheet and the Income Statement, in the layouts, in accordance with the Bank of Italy's definition, the items with no amounts for the reporting year, and with no amounts for the previous one, have also been stated.

In the tables relating to the Income statement items, revenues are set forth without a sign, whereas expense figures are set forth in parenthesis.

Section 3 – Scope and method of consolidation

SCOPE OF CONSOLIDATION

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

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

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

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

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

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

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

Associates, 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.

Similarly, despite holding at least 20%, the investor may not have significant influence on the investee due to legal ties or shareholders' voting agreements or other relevant elements influencing the investee's governance.

CONSOLIDATION METHODS

As regards consolidation methods, subsidiaries, joint ventures and investees on which the Group exercises significant influence have been consolidated on a one-line basis in accordance with the equity method.

Full consolidation involves the line-by-line aggregation of the Balance Sheet and Income Statement items.

After attributing the relevant portion of the equity and profits or losses to minority interests, under a separate dedicated item, the value of the equity investment is derecognized with the residual value of the equity of the subsidiary as the balancing item.

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

Business combinations are recognized using the acquisition method provided for by IFRS 3, applied starting from the date of acquisition, that is to say, from the moment in which control of the business is actually achieved In accordance with this method, the identifiable assets acquired and the identifiable liabilities taken (including contingent ones) shall be recognized at their respective fair values as at the acquisition date. After initial recognition of a contingent liability with the "acquisition method", the acquirer shall recognize a provision in the Income Statement if the liability fair value is higher than the original fair value recognized at acquisition. Moreover, for each business combination, any minority interests in the acquired company may be recognized at fair value or proportionally to the minority interest in the identifiable net assets of the acquired company.

Profit or losses of a subsidiary acquired in the period are reported in the Consolidated Financial Statements starting from the date of acquisition. Conversely, profit or losses of a subsidiary sold in the period are reported in the Consolidated Financial Statements up to the date on which control is transferred

Equity investments in joint ventures or the companies on which the Group exercises significant influence (associates) have been consolidated on a one-line basis, with the equity method.

Consolidation using the equity method provides for initial recognition of the equity investment at cost and, subsequently, for its value adjustment based on the portion held of the investee's equity. Any differences between the value of the equity investment and the equity portion held are included in the book value of the investee.

The Group's share of the subsidiary's profit or loss for the period is recognized under a specific item in the income statement.

The other major consolidation operations include:
- Elimination of dividends paid or declared by consolidated companies;
- Elimination of significant intercompany transactions from the balance sheet or income statement;
- Elimination of gains and losses resulting from intercompany sale and purchase transactions and relating to Amounts included in equity;
- Adjustments needed to harmonize accounting standards within the Group;
- Where applicable, recognition of the tax effects of any adjustments to harmonize the bases for the measurement of financial statement items or other consolidation adjustments.

The reporting date of the Financial Statements of the Parent Company and of the other companies consolidated on a line-item basis is 31 December 2019.

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

1. *Equity investments in subsidiaries*

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

Company name	HQ	Type of investee (1)	Equity investment		% of actual votes
			Investor	% held	available
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.	81.46%	81.84% (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.	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. Italstock S.r.l.	Milan, Italy	1	Crédit Agricole Italia S.p.A.	(*)	(*)
8. Crédit Agricole Real Estate Italia S.r.l.	Parma, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
9. Agricola Le Cicogne S.r.l.	Faenza, Italy	1	Crédit Agricole Italia S.p.A.	50.01%	50.01%
10. San Piero Immobiliare Srl	Cesena, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
11. San Giorgio Immobiliare S.r.l.	Cesena, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
12. Le Village by CA Parma S.r.l. (**)	Parma, Italy	1	Crédit Agricole Italia S.p.A.	66.67%	66.67%

(1) The percentage has been calculated taking account of the treasury shares held by the Bank as at the reporting date.
(*) Company struck off the Business Register on 16 August 2019. As at 31 December 2019, the liquidation income statement for 2019 prepared by the company was consolidated.
(**) Company incorporated on 17 December 2019.

2. Joints ventures and investees subject to significant influence

Company name	HQ	Type of investee(1)	Equity investment		% of actual votes
			Investor	% held	available
Consolidated using the equity method					
1. Fiere di Parma S.p.A.	Parma, Italy	4	Crédit Agricole Italia S.p.A.	32.42%	32.42%
2. Le Village by CA Milano S.r.l.	Milan, Italy	4	Crédit Agricole Italia S.p.A.	38.91%	38.91%

(1) Type of relationship:
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

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

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

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

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

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

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

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

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

Structured entities – securitization special-purpose entities. To verify whether the requirements are met for control on special-purpose entities, the factors taken into considerations are the ability to exercise power on the investee's relevant activities to the investor's advantage and the ultimate purpose of the transaction, as well as the involvement of the investor/sponsor in structuring the transaction.

For these entities, the subscription of essentially all notes by companies of the Group is considered evidence, especially in the structuring phase, of the power to manage the entity's relevant activities to influence the returns on the transaction.

4. *Equity investments in subsidiaries with significant minority interests*

4.1 MINORITY INTERESTS, AVAILABILITY OF MINORITY INTEREST VOTES AND DIVIDENDS DISTRIBUTED TO MINORITY INTERESTS

Company name	% Minority Interests	% of minority interest votes available	Dividends distributed to minority interests
1. Crédit Agricole FriulAdria S.p.A.	18.54%	18.16%	9,997
2. Crédit Agricole Leasing Italia S.r.l.	15.00%	15.00%	–

4.2 INVESTEES WITH SIGNIFICANT MINORITY INTERESTS: ACCOUNTING DATA

Company name	Total Assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Shareholders' equity	Net interest income	Net interest and other banking income	Operating Costs	Profit (loss) after tax from discontinued operations	Profit/(Loss) for the period (1)	Other comprehensive income after tax (2)	Comprehensive income (3) = (1) + (2)
Crédit Agricole FriulAdria S.p.A.	10,835,975	43,729	10,385,571	200,607	9,943,383	659,882	171,721	315,823	-191,157	-	66,413	12,583	78,996
Crédit Agricole Leasing S.r.l.	2,068,790	51	1,983,722	34,002	1,880,392	105,530	27,111	28,151	-6,803	-	6,402	-8	6,394

5. *Significant restrictions*

No significant restrictions are to be reported pursuant to IFRS 12.13.

6. *Other information*

On 26 February 2019, the Extraordinary General Meeting of the Shareholders of Crédit Agricole Cariparma S.p.A. resolved to change the company's name into Crédit Agricole Italia S.p.A.

On 16 November 2018, the Boards of Directors of Crédit Agricole Italia S.p.A – the Parent Company of the Crédit Agricole Italia Banking Group – and of its subsidiary Crédit Agricole Carispezia approved the plan for the merger by absorption of Crédit Agricole Carispezia into Crédit Agricole Italia pursuant to Articles 2501-ter and 2505 of the Italian Civil Code. On 12 February 2019, the ECB authorized this combination.

On 26 February 2019, the Extraordinary General Meeting of the Shareholders of Crédit Agricole Italia S.p.A. resolved a share capital increase, for a consideration and ruling out option rights, pursuant to Article 2343-ter, paragraph 2, letter b), Article 2440 and Article 2441, paragraph 4 of the Italian Civil Code, of a nominal amount of Euro 16,539,731 through the issue of 16,539,731 ordinary shares having a nominal value of Euro 1 each, exclusively intended for the subscription of Fondazione Cassa di Risparmio della Spezia, to be paid in through a contribution in kind of the 33,079,463 shares held by Fondazione Cassa di Risparmio della Spezia into Crédit Agricole Carispezia S.p.A., representing 18.5% of the latter's share capital. Subsequent to the aforementioned resolution, the authorized share capital of Crédit Agricole Italia S.p.A., the Parent Company of the Crédit Agricole

Italia Banking Group, amounts to Euro 979,211,943.00 and is subdivided into 979,211,943 ordinary shares having a nominal value of Euro 1 each.

Subsequent to the aforementioned resolutions, on 21 July 2019, Crédit Agricole Carispezia, a consolidated subsidiary since 2011, was merged by absorption into Crédit Agricole Italia S.p.A., its controlling company holding 100% of the subsidiary's share capital. The accounting and tax effects of the merger were backdated to 1 January 2019.

In December 2019, the mergers by absorption into Crédit Agricole Italia S.p.A. of its fully-owned real estate subsidiaries Unibanca Immobiliare S.r.l., Carice Immobiliare S.p.A. (formerly subsidiaries of Cassa di Risparmio di Cesena) and San Genesio Immobiliare S.p.A. (formerly a subsidiary of Cassa di Risparmio di San Miniato) were finalized. The absorption of the 3 companies, all 100% held by Crédit Agricole Italia S.p.A, became legally effective on 24 December 2019 with backdating of its accounting and tax effects to 1 January 2019.

The above-reported mergers essentially aimed at streamlining the Group's structure, at rationalizing its operational processes and at the subsequent reduction of its operating costs.

Furthermore, as they are mergers by absorption of fully-owned subsidiaries, the aforementioned combinations are "Business Combinations between entities under common control" and, therefore, they do not fall in the scope of application of IFRS 3 and are recognized based on the pooling-of-interests method/predecessor value method (continuity of values). In mergers by absorption of 100%-owned subsidiaries, applying the continuity-of-values principle (pooling-of-interests/predecessor value method), there is no actual transaction with unrelated parties and no economic acquisition; therefore, relevance is attached to the fact that one of the entities involved in merger controlled the others beforehand, as well as to the cost incurred by the surviving entity for the original acquisition of the absorbed entity or entities. A merger that is actually a reorganization does not determine any higher fair values of assets and liabilities of the absorbed entity than their fair value already recognized in the consolidated financial statements.

Subsequent to the exercise of warrants on shares of the former Cassa di Risparmio di Cesena Spa, which it had issued within its share capital increase on 23 September 2016, another 21,411 shares in Crédit Agricole Italia S.p.A. were issued having a nominal value of Euro 1.

Therefore, as at 31 December 2019, the share capital amounted to Euro 979,233,295.00.

Section 4 – Events occurred after the reporting date

Share Capital increase

Subsequent to the exercise of warrants on shares of the former Cassa di Risparmio di Cesena Spa, which it had issued within its share capital increase on 23 September 2016, another 22,780 shares[15] in Crédit Agricole Italia were issued, having a nominal value of Euro 1.

Therefore, the share capital amounted to Euro 979,234,664.00.

Network rationalization

In 2020, the rationalization of the Group's physical structures is going to continue with the closure of 58 branches.

COVERED BONDS

In early 2020, taking advantage also of the favourable market conditions, the Crédit Agricole Italia Banking Group issued a new dual-tranche Covered Bond, with maturities of 8 and 25 years, for a total value of Euro 1.25 billion. It was the first Italian issued of Covered Bonds in 2020 and gave evidence of one of the highest demands for Covered Bonds in the Italian market, with one the smallest spreads in recent times.

15 Figures updated as at 29 February 2020. They may change between the date of the Board of Directors meeting and the date set for the General Meeting of Shareholders.

Covid – 19

The coronavirus pandemic broke out in continental China at a time very close to the reporting date and then spread also to other Countries, including Italy. On 30 January 2020, the World Health Organization declared the new coronavirus (2019-nCoV) outbreak a Public Health Emergency of International Concern (PHEIC). Covid-19 is causing slowdown or interruption of economic and business activities in many sectors.

Together with the United States, China and Spain, Italy is the country that has experienced the highest number of Covid-19 cases, with still unexplained and critical concentration in specific areas of Northern Italy, which have always been the drivers of the Italian economy. As at 31 March 2020, the World Health Organization reported 755 thousand cases worldwide extending across 202 Countries: the United States accounted for 141 thousand cases (19%), Italia for 102 thousand (14%), Spain for 85 thousand (11.3%) and China 83 thousand (11%)[16].

The forecasts made by leading research institutions on the expected Italian GDP for 2020 converge on scenarios that are worse than the ones forecasted before the Covid-19 outbreak; Prometeia has recently estimated a 6.5% decrease in the Italian GDP for 2020. At the end of March, Confindustria (the main organization representing Italian manufacturing and service companies) released a first estimate expecting the 2020 GDP down by 6%, but, at the same time, its opinion is that the Italian economy should start to recover in 2021, for which it has estimated a rebound of 3.5 percentage points. In in all likelihood, these estimates will have to be frequently revised in accordance with the developments in the pandemic and in the economic situation, which will depend also on the effectiveness of the economic and fiscal measures already deployed or that will be deployed at both national and international level.

Crédit Agricole Italia considers it a non-adjusting event occurred after the reporting date, pursuant to IAS 10.

Having regard to paragraph 125 of IAS1, which requires the entity to disclose the assumptions it made on the future and other major sources of estimation uncertainty at the end of the reporting period having a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year data, any reliable quantitative estimate of the potential impact generated by Covid-19 on the profit or loss and on the financial situation of the Company and of the Group is deemed not possible, due to the many factors that are still unknown and hard to determine. Therefore, the Covid-19 impact will be factored in the accounting estimates of the Company and of the Group in 2020. Expected losses on financial instruments not measured at fair value through profit or loss as at 31 December 2019 have been estimated based on all reasonable and provable information available on the reporting date, as well as based on information that became available after the reporting date, including the developments in the main economic variables, appropriately weighted in accordance with the probability of occurrence of the various identified scenarios. Section 1 – Risks of the prudential consolidation of Part E of the Note to the Financial Statements contains an analysis of the ECL sensitivity to changes in the assumptions at the basis of the choice of the main parameters used in the estimate.

As regards impairment of assets pursuant to IAS36 and specifically as regards the impairment test of goodwill and of the other intangible assets, the standards requires that, to determine an asset recoverable amount, the information obtained after the reporting date be taken into account only if such information represents conditions already existing on the reporting date, which has not be deemed the case for the Coronavirus pandemic events. Section 10 of Assets in Part B of the Note to the Financial Statements contains information on the assumptions used to determine the recoverable amount of goodwill and of the other intangible assets recognized within business combinations, along with the related sensitivity analysis. Furthermore, Section 11 of Assets – Part B of the Note to the Financial Statements contains the information about the assumptions underlying the approach adopted for and the outcome of the probability test of deferred tax assets pursuant to IAS 12.

Section 5 – Other matters

OPTION FOR THE ITALIAN NATIONAL TAX CONSOLIDATION

In March 2016, the national tax consolidation scheme was adopted, with effects since the 2015 tax period, by the Crédit Agricole S.A. Group in Italy; such scheme was introduced with Article 6 of Italian Legislative Decree No. 147 of 14 September 2015, according to which also the Italian "sister" companies, whose controlling Company is resident in an EU Member State, may exercise the option for consolidated taxation.

16 OMS – Coronavirus disease (COVID-19) Situation Dashboard – March 31. 2020 18:00 CET,

18 Companies of the Group opted to join the tax consolidation scheme and, having been designated by Crédit Agricole S.A., Crédit Agricole Italia has undertaken the role of Consolidating Entity. As new entities entered and some member entities were merged by absorption in 2019, the tax consolidation scheme, as at 31 December 2019, consisted of 23 entities.

This regime provides for the consolidated companies to transfer their taxable income (or their tax loss), as regards the Italian corporate income tax (IRES), to the consolidating Entity Crédit Agricole Italia, which calculates a single taxable income or a single tax loss for the Group, as the algebraic sum of the income and/or losses of the single Companies, and recognizes a single tax account payable to or receivable from the Italian Inland revenue Service.

As balancing item of taxes/lower taxes for tax losses and Allowance for Corporate Equity (ACE) benefits to be transferred to the consolidation scheme or withholdings, detractions and the like, the companies in the consolidation scheme recognize due and payables/receivables from the consolidating entity.

In its separate Financial Statements, the Consolidating Entity recognizes matching items of due and payables to/receivables from the entities in the consolidation scheme.

Specifically, the intra-group balances resulting from the tax consolidation scheme are recognized in the items:
- “Financial assets measured at amortized cost – due from banks”, or “Financial assets measured at amortized cost – loans to customers”, in accordance with the kind of counterparty, for estimating the corporate income tax (IRES) transferred by the member entities to the tax consolidation scheme;
- “Financial liabilities measured at amortized cost – due to banks”, or “Financial liabilities measured at amortized cost – due to customers”, in accordance with the kind of counterparty, for the transfer of tax losses or ACE benefits by the member entities to the tax consolidation scheme.

Finally, the tax consolidation scheme’s tax account payable to or receivable from the Italian Inland Revenue Agency is recognized under current tax liabilities or assets based on whether the IRES payable amount is higher or lower than the down-payments made.

OPTION FOR THE VAT GROUP

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

Crédit Agricole Italia has been appointed as the Group’s Representative Member. As at 31 December 2019, the VAT Group, which initially included 15 entities, consisted of 10 entities, due to some mergers by absorption finalized in the reporting year. 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 VAT Group member entities are not subject to VAT.

INDIPENDENT AUDITORS

The Annual Report and Consolidated Financial Statements are audited by EY S.p.A, implementing the Resolution passed by the General Meeting of Shareholders on 21 April 2012, whereby this Firm was assigned the audit task for the period 2012-2020.

PUBLICATION OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The draft Annual Report and Consolidated Financial Statements as at 31 December 2019 of the Crédit Agricole Italia Banking Group were approved by the Board of Directors at its meeting held on 06 April 2020 and the Board authorized their publication, also pursuant to IAS 10.

A.2 SECTION ON THE MAIN FINANCIAL STATEMENT ITEMS – FINANCIAL INSTRUMENTS (IFRS 9, IAS 39 AND IAS 32)

DEFINITIONS

IAS 32 defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity, or any contract establishing contractual rights and obligations to receive or deliver cash or other assets.

Derivative instruments are financial assets or liabilities the value of which evolves in accordance with that on an underlying instrument; they require low or no initial investment and are settled at a later date.

Financial assets and liabilities have been recognized in the financial statements in accordance with IFRS 9, as endorsed by the Europe Union.

IFRS 9 lays down the bases for:
1. Classification and measurement of financial instruments;
2. Impairment of exposures for credit risk deterioration;
3. Hedge accounting, excluding macro hedging.

However, it is pointed out that the Crédit Agricole Italia Banking Group, in accordance with the instructions of its Parent Company Crédit Agricole S.A., has exercised the option, which is given to IFRS 9 first-time adopters, to continue to fully apply IAS 39 as regards hedge accounting. Therefore, all hedges have remained within the IAS 39 scope, pending the future application of the new “dynamic risk management accounting model”.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Initial measurement

At their initial recognition, financial assets and liabilities are measured at fair value, as defined in IFRS 13.

The IFRS 13 definition of fair value is “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

Subsequent measurement

After their initial recognition, financial assets and liabilities shall be measured, in accordance with their classification, at amortized cost using the effective interest rate (EIR) method or at fair value. Derivative instruments shall always be measured at fair value.

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition, including the transaction costs that are directly attributable to its acquisition or issue, minus principal repayments, plus or minus the cumulative amortization calculated using the effective interest (EIR) method of any difference (discount or premium) between that initial amount and the maturity amount. For financial assets, the amount is adjusted for any loss allowance.

The effective interest rate (EIR) is the rate that discounts the estimated future cash flows (paid or collected) from the financial instrument through its expected life or, as the case may be, over a shorter period, to the net book value of the financial asset or liability.

1. FINANCIAL ASSETS

Financial assets other than derivatives (debt instruments or equity instruments) shall be classified in one of the three categories given below:

- Financial assets recognized at fair value through profit or loss (FVTPL);
- Financial assets at amortized cost;
- Financial assets at fair value through equity (other comprehensive income).

The classification and measurement of financial assets depend on the financial asset nature, whether it qualifies as:

- Debt instrument (i.e. loans and securities with fixed or determinable payments);
- Equity instruments (i.e. shares).

Debt instruments

The classification and measurement of a debt instrument is determined at its initial recognition and is based on two joint criteria: the business model and the analysis of its contractual characteristics in order to assess that the financial asset contractual terms provide for, at set dates, cash flows that are are 'solely payments of principal and interest on the principal amount outstanding' (the "SPPI test"), unless the fair value option is exercised.

Business Model

The business model expresses how a cluster of financial assets is collectively managed in order to pursue a set corporate objective, thus representing the strategy of the Crédit Agricole Italia Banking Group in managing its financial assets. The business model is determined for an asset portfolio, rather than specifically for a single financial asset.

There are three business models:

- Hold to Collect (HTC), the objective of which is to hold the financial asset to collect its contractual cash flows throughout its useful life; this model does not require that all the assets be held until their contractual maturity; however, any sale of the assets is subject to restrictions in terms of frequency and significance. In the financial year, sales are permitted as long as they do not breach a non-significance threshold that, based on the Group's policy, varies in accordance with the portfolio average duration;
- Hold to Collect and Sell (HTC&S), the objective of which is to hold the financial assets both to collect their contractual cash flows and to sell them; in this model, both the sale of financial assets and the collection of their cash flows are permitted;
- Other, this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not qualify for the previous categories (Hold to Collect and Hold to Collect and Sell). In general, this classification applied to a portfolio of financial assets whose management and performance are measured based on fair value.

In accordance with the standard and with the choices made by the Group, the sale of financial assets classified in the HTC business model HTC are allowed in different terms, as described below, based on whether the sale concerns a security portfolio or a loan portfolio.

Sales of **securities** are allowed for the following reasons:

a) Increase in credit risk;
b) Debt instruments close to maturity;
c) The sales are frequent but not significant;
d) The sales are not frequent.

Specifically:

a) Sales allowed due to an increase in credit risk

The Crédit Agricole Italia Banking Group has identified the following criteria to allow the sale of debt securities classified in the Hold to Collect Business Model; the sale shall be allowed when even just one of the following criteria is met.

- Accounting indicator: downgrade from Stage 1 to Stage 2 or to Stage 3;
- Risk indicator: downgrade of 3 notches in the issuer's long-term external rating (or the equivalent for internal rating) since the instrument purchase; downgrade of 2 notches in the issuer's country risk since the instrument purchase;
- Market indicators:
  - Evolution in the issuer's credit spread between the date of purchase and the date of sale of the instrument;
  - Evolution in the issuer's premium CDS between the date of purchase and the date of sale of the instrument;

b) Sales permitted as the debt instruments are close to maturity

Financial assets in the Hold to Collect portfolio may be sold if they are close to maturity and the proceeds from their sales approximate the collection of the remaining contractual cash flows (IFRS 9.B4.1.3B).

In order to judge such sales consistent with the Hold to Collect Business Model, the following parameters were defined:

- Time to maturity considered admissible of 6 months;
- A maximum difference between the proceeds from the sale and the remaining contractual cash flows (amortized cost) of 3% (without taking into account fair value hedge effects).

c) Frequent but not significant sales

In the financial year, sales are permitted up to a 15% limit; this non-significance threshold varies in accordance with the portfolio average duration.

d) Infrequent sales

- Changes in the tax legislation entailing higher tax expenses generating a not negligible impact for the Group;
- Non-recurring transactions by the issuer/the issuer's Group (i.e. mergers, sales of business units and, in general, any other non-recurring transaction impacting on the entity's equity);
- Changes in the applicable legislation or regulations;
- Need to strengthen capital requirements.

Sales of **loans** are allowed for the following reasons:

- Increase in credit risk;
- Loans close to maturity and with a sale price that approximates the remaining contractual cash flows;
- The sales are frequent but not significant;
- Infrequent sales that are potentially significant.

Specifically:

a) Sales allowed due to an increase in credit risk

The Crédit Agricole Italia Banking Group has identified the following criteria to allow the sale of loans classified in the Hold to Collect Business Model; the sale shall be allowed when even just one of the following criteria is met:

- Accounting indicator: downgrade from Stage 1 to Stage 2 or to Stage 3;
- Risk indicators (applying to large-corporate customers only): downgrade of 3 notches in the issuer's long-term external rating (or the equivalent for internal rating) since the instrument purchase; downgrade of 2 notches in the issuer's country risk since the instrument purchase;

b) Sales permitted as the loans are close to maturity

The sales of loans in the Hold to Collect portfolio shall be allowed if all the following criteria set by the Group are met:

- The financial assets to be sold have residual life of less than 6 months;
- The value of the assets to be sold is close to the amortized cost of the financial asset (also in case of frequent sales);
- The difference between the loan sale price and amortized cost must not exceed 3%, without taking into account fair value hedge effects.

c) Frequent but not significant sales

In the financial year, sales are permitted up to a 15% limit; this non-significance threshold varies in accordance with the portfolio average duration.

d) Infrequent sales

- Changes in the tax legislation entailing higher tax expenses generating a not negligible impact for the Group;
- Non-recurring transactions by the issuer/the issuer's Group (i.e. mergers, sales of business units and, in general, any other non-recurring transaction impacting on the entity's equity);
- Changes in the applicable legislation or regulations;
- Need to strengthen capital requirements.

<u>The contractual characteristics ('Solely Payments of Principal & Interest' or SPPI test):</u>

The SPPI test provides for a set of criteria to be examined as a whole, whereby it can be determined whether the contractual cash flows are consistent with the characteristics of a basic lending arrangement (repayments of face principal and payment of interests on the face principal still outstanding).

The test is passed if the loan entitles exclusively to principal repayment and if the payment of collected interests represents the time value of money, the credit risk associated with the instrument, other costs and risks of a classic lending arrangement, as well as a reasonable profit margin, in case of both fixed and floating interest rates.

Under a basic lending arrangement, interest represents the cost of the passage of time, the price for credit and liquidity risks over the period, and other components linked to the asses maintenance cost (e.g.: administrative costs...).

If no conclusion can be made with this qualitative analysis, a quantitative analysis (or benchmark test) shall be made. This additional analysis consists in comparing the contractual cash flows of the asset under analysis to the cash flows of a benchmark asset (an asset with characteristics that are similar to those of the asset under analysis but "simple").

If the difference between the cash flows of the financial asset and those of the benchmark instrument is not deemed significant, the asset shall be considered a basic lending arrangement.

Furthermore, a specific analysis shall always be carried out if the financial asset provides for payments with different priorities linked to flows from other benchmark financial assets (e.g. In case of Credit Linked Instruments (CLI) or instruments issued by Special Purpose Entities (SPE) incorporated within Project Finance schemes), as regards which the credit risk concentration for each single tranche shall be analyzed. In this case, the SPPI tests requires the analysis of the characteristics of the contractual cash flows of the asset in question and of the underlying assets, in accordance with a "look-through" approach, and of the credit risk borne by the subscribed tranches compared to the credit risk of the underlying assets.

The recognition of debt instruments resulting from the definition of the business model along with the 'SPPI' test can be presented with the chart below:

Debt instruments		Management models		
		HTC	HTCS	HTS
SPPI testing	Passed	Amortized cost	Fair value through equity with recycling	Fair value through profit or loss
	Not passed	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss

Debt instruments at amortized cost

Debt instruments shall be measured at amortized cost if they are eligible for the HTC model and if they pass the 'SPPI' test.

They are recognized at the settlement date and their initial measurement includes accrued interest and transaction costs.

The amortization of any premiums/discounts and transaction costs of fixed-income securities are recognized in the Income Statement with the effective interest rate method.

This category of financial assets is subject to impairment in accordance with the criteria set forth in the specific paragraph "Impairment for credit risk".

Debt instruments at fair value through equity with recycling

Debt instruments shall be measured at fair value through equity with recycling if they are eligible for the HTC&S model and if they pass the 'SPPI' test.

They are recognized at the settlement date and their initial measurement includes accrued interest and transaction costs.

The amortization of any premiums/discounts and of security transaction expenses is recognized in the Income Statement with the Effective Interest Rate (EIR) method.

These financial assets are then measured at fair value and fair value changes are recognized through equity (with recycling) as the financial asset balancing item (excluding interest accrued taken to the Income Statement with the EIR method).

In case of sale, any fair value changes recognized through Equity are transferred to the Income Statement.

This category of financial instruments is subject to impairment in accordance with the criteria set forth in the specific paragraph "Impairment for credit risk" (without any resulting impacts on the fair value on the balance sheet).

Debt instruments at fair value through profit or loss (FVTPL)

Debt instruments are measured at fair value through profit or loss in the following cases:

- The instruments are classified in the portfolio held within the Other Business Model (or financial assets held for trading or held with the main objective of selling them): financial assets held for trading are assets acquired or generated by the company mainly in order to sell them in the short term or part of a portfolio of instruments managed collectively in order to generate a profit from price fluctuations in the short-term or from the profit of the operator. Although contractual cash flows are collected in the period in which the Crédit Agricole Italia Banking Group holds the assets, the collection of such contractual cash flows is not essential but rather incidental.
- Debt instruments mandatorily measured at FVTPL as they do not comply with the 'SPPI' test requirements. For instance, this is the case of Collective Investment Undertakings (open-end funds and closed-end funds);

- The financial instruments classified in portfolios for which the entity opts for fair value measurement. In that case, it is a specific designation of instruments to be measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (directly recognized in the income statement) and including accrued interest.

Afterwards, they are measured at fair value and value changes are taken to the income statement, in net banking income, as the balancing item of the balance sheet item reporting the financial assets.

This category of financial assets is not subject to impairment.

Debt instruments measured at fair value through profit or loss are recognized at the settlement date.

Equity instruments

Equity instruments are recognized at fair value through profit or loss – FVTPL, unless an irrevocable option for their measurement at fair value through equity (in this case "without recycling") is exercised, granted that such instruments are not held for trading.

Equity instruments at fair value through profit or loss

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (directly recognized in the income statement). They are recognized at their settlement date.

Afterwards, they are measured at fair value and value changes are taken to the income statement, in net banking income, as the balancing item of the value of the financial assets on the balance sheet.

This category of financial assets is not subject to impairment.

Equity instruments at fair value through equity without recycling (irrevocable option)

The irrevocable option to recognize equity instruments at fair value through equity without recycling may be exercised for each single transaction and shall apply as of the date of initial recognition. These securities are recognized at their settlement date. The initial fair value includes transaction costs.

At subsequent measurements, fair value changes are recognized in equity. In case of sale, these changes are not recycled to profit or loss; therefore, the profit or loss from the sale continues to be recognized in equity.

Only collected dividends are recognized in profit or loss.

Reclassification of financial assets

In the very few cases of a significant change in the business model used for managing financial assets (which, in accordance with the standard, may occur for start of a new activity, acquisition of entities, disposal or discontinuation of a business line), a reclassification of these financial assets is necessary.

In such cases, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

Where any "Financial assets measured at fair value through profit or loss" is reclassified under "Financial assets measured at amortized cost", the fair value as at the reclassification date shall become the new gross book value; the date of reclassification shall be the date of initial recognition for assigning the credit risk stage in order to estimate impairment. Where the financial asset is reclassified under "Financial assets measured at fair value through other comprehensive income", the financial asset shall continue to be measured at fair value. The effective interest rate shall be determined based on the asset fair value as at the reclassification date.

If the financial asset is reclassified from measured at amortized cost to measured at fair value through profit or loss, its fair value shall be measured as at the reclassification date. The profits or losses from any difference between the previous amortized cost of the financial asset and its fair value shall be recognized through profit or loss.

If the financial asset is reclassified from measured at fair value through other comprehensive income to measured at amortized cost, the financial asset shall be reclassified at fair value on the reclassification date. However, accumulated profit (loss) previously recognized through other comprehensive income shall be derecognized in equity and adjusted to the fair value of the financial asset as at the reclassification date. Consequently, the financial asset shall be measured as at its reclassification date as if it had always been measured at amortized cost. The effective interest rate and the measurement of expected credit losses shall not be adjusted subsequent to reclassification.

If the financial asset is reclassified from measured at amortized cost to measured at fair value through other comprehensive income, its fair value shall be measured as at the reclassification date. The profits or losses from any difference between the previous amortized cost of the financial asset and its fair value shall be recognized through other comprehensive income. The effective interest rate and the measurement of expected credit losses shall not be adjusted subsequent to reclassification.

If the entity reclassifies a financial asset from measured at fair value through other comprehensive income to measured at fair value through profit (loss) for the period, the financial asset continues to be measured at fair value. Accumulated profit (loss) previously recognized through other comprehensive income shall be reclassified from "through equity" to "in profit or loss for the period" with a reclassification adjustment (as per IAS 1) as at the reclassification date.

Reclassification is not allowed for equity securities.

Temporary investments in/disposals of securities

Temporary disposals of securities (loans of securities, securities transferred under repurchase agreements) do not generally fulfil the conditions for derecognition.

Securities lent or sold under repurchase agreements remain on the balance sheet. In the case of securities under repurchase agreements, the amounts received, representing the liability to the transferee, are recognised on the liabilities side of the balance sheet by the transferor.

Securities borrowed or received under repurchase agreements are not recognised on the balance sheet of the transferee.

In the case of securities disposed of under repurchase agreements, an account receivable from the transferor is reported on the balance sheet of the transferee and offset against the amount paid. If the security is subsequently resold, the transferee recognizes a liability measured at fair value representing its obligation to return the security received under repurchase agreements.

Revenue and expenses relating to such transactions are recognized to profit and loss on an accrual basis, except in the case of classification of assets and liabilities at fair value through profit or loss.

Derecognition of financial assets

Financial assets (or groups of financial assets) are fully or partially derecognized if:
- The contractual rights to the cash flows from the financial assets expire;
- The contractual rights to the cash flows from the financial assets are transferred or are deemed as such because they belong de facto to one or more beneficiaries and when substantially all the risks and rewards of the financial asset are transferred.

In this case, any rights or obligations in force at the time of transfer are recognised separately as assets and liabilities.

If the contractual rights to the cash flows are transferred but some of the risks and rewards of ownership as well as control are retained, the financial assets continue to be recognised to the extent of the entity's continuing involvement in the asset.

Furthermore, impaired financial assets may be derecognized when the entity can no longer reasonably expect to recover a financial asset (write-off). A financial asset may be written off before the conclusion of the legal actions for its recovery and this does not necessarily entail waiver by the Bank of its legal right to collect the credit claim. In this case, the gross nominal value of the loan remains unchanged, but its gross book value is written down by the write-off amount. The write-off may concern the entire amount of a financial asset or part thereof and is equal to:

- The reversal of total value adjustments as the balancing item of the financial asset gross value;
- For any portion exceeding the amount of total value adjustments, the financial asset impairment recognised directly through profit or loss.

Any recoveries from collection after the write-off are recognized in the income statement as recoveries on impairment/writebacks.

2. FINANCIAL LIABILITIES

Financial liabilities are classified on the balance sheet in the two accounting categories given below:

- Financial liabilities at fair value through profit or loss, either by their nature or by designation;
- Financial liabilities at amortized cost.

<u>Financial liabilities at fair value through profit or loss by their nature</u>

Financial instruments issued primarily to be bought back in the short term, instruments belonging to an identified portfolio of financial instruments which are managed collectively and for which there is evidence of a strategy pursuing short-term profit-taking, and derivatives (with the exception of certain hedging derivatives) are measured at fair value by their nature.

Any changes in the fair value of this portfolio are recognized through profit or loss.

<u>Financial liabilities designated at fair value through profit or loss</u>

Financial liabilities fulfilling one of the three conditions defined by the standard (and described above) may be designated for measurement at fair value through profit or loss: for hybrid issues comprising one or more separable embedded derivatives, in order to reduce or eliminate the distortion of accounting treatment, or in the case of groups of managed financial liabilities for which performance is measured at fair value.

This designation option is irrevocable and applies mandatorily from the date of initial recognition of the instrument.

Upon subsequent measurement, these financial liabilities are measured at fair value through profit or loss for changes in fair value not related to own credit risk and with balancing item through equity with no recycling for value changes related to own credit risk.

<u>Financial liabilities measured at amortized cost</u>

All other liabilities fulfilling the definition of a financial liability (excluding derivatives) are measured at amortised cost.

These liabilities are initially measured at fair value (including transaction income and costs) and subsequently at amortised cost using the effective interest rate method.

Reclassification of financial liabilities

The initial classification of financial liabilities is irrevocable. No subsequent reclassification is authorised.

Distinction between debt – equity instruments

Securities are classed as debt instruments or equity instruments based on the economic substance of the contractual arrangements.

A financial liability is a debt instrument if it includes a contractual obligation to:

- Provide another entity with cash, another financial asset or a variable number of equity instruments;
- Exchange financial assets and liabilities with another entity at potentially unfavourable conditions.

An equity instrument is a non-redeemable financial instrument which offers discretionary return representing a residual interest in a company after deduction of all its financial liabilities (net assets) and which is not qualified as a debt instrument.

Treasury share buyback

Treasury shares or equivalent derivative instruments such as options on shares bought with a fixed strike ratio, including shares held to cover stock option plans, do not meet the definition of a financial asset and are recognized as reduction in equity. They do not generate any impact on the income statement.

Derecognition of and change to financial liabilities

A financial liability is derecognised in full or in part:

- When it is extinguished;
- When quantitative or qualitative analyses show it has undergone a substantial change following restructuring.

A substantial change in an existing financial liability shall be recognized as the extinction of an initial financial liability and the recognition of a new financial liability (novation). Any difference between the book value of the extinguished liability and the new liability shall be recognised immediately in the income statement.

If the financial liability is not derecognised, the original effective interest rate (EIR) shall be maintained and the book value shall be change through profit or loss on the date of change, discounting the new future cash flows (as resulting from the change) to the date of change using the original EIR. This impact is then spread over the residual lifetime of the instrument based on the original effective interest rate.

3. DERIVATIVE FINANCIAL INSTRUMENTS

Classification and measurement

Derivative instruments are financial assets or liabilities classified by default as derivative instruments held-for-trading unless they can be considered to be hedging derivatives.

They are initially recognized at fair value on the settlement date and then measured at fair value.

At each reporting date, the fair value changes on derivative contracts shall be recognized:

- Through profit or loss for derivative instruments held for trading or for fair value hedging;
- Through equity for derivative instruments held as cash flow hedges or hedges of net investments in foreign operations, for the effective portion of the hedge.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that meets the definition of a derivative product. This definition applies only to financial liabilities and non-financial contracts. Embedded derivatives must be accounted for separately from the host contract if the following three conditions are met:

- The hybrid contract is not measured at fair value through profit or loss;
- The embedded component taken separately from the host contract has the characteristics of a derivative;
- The characteristics of the derivative are not closely linked to those of the host contract.

Conversely, financial assets with an embedded derivative are classified as a whole as separation is not allowed: in these cases, the instrument as a whole shall be classified under "financial assets measured at fair value through profit or loss".

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

In accordance with IAS 32, the Crédit Agricole Italia Banking Group offsets a financial asset against a financial liability and recognizes a net amount when and only when it has a legally enforceable right to offset the recognized amounts and intends either to settle the net amount or to realize the asset and settle the liability simultaneously.

The derivative instruments and the repurchase agreements handled with clearing houses that meet the two criteria required by IAS 32 have been offset on the balance sheet.

NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS

Net gains (losses) on financial instruments at fair value through profit or loss

For financial instruments recognised at fair value through profit or loss, this item notably reports the following income statement elements:

- Dividends and other revenues from equities and other variable-income securities which are classified under financial assets at fair value through profit or loss;
- Changes in fair value of financial assets or liabilities at fair value through profit or loss;
- Gains and losses on disposal of financial assets at fair value through profit or loss;
- Changes in fair value and gains and losses on disposal or termination of derivative instruments not included in a fair value hedging relationship or cash flow hedge.

This item also reports the ineffective portion of hedges.

Net gains (losses) on financial instruments at fair value through other comprehensive income

The "Financial assets measured at fair value through equity (OCI)" item notably reports the following income statement elements:

- Dividends from equity instruments classified as financial assets at fair value through equity without recycling;
- Gains (losses) on disposals and net income associated with the termination of hedging relationships on debt instruments classified as financial assets at fair value through equity with recycling;
- Net income on disposals or associated with the termination of fair value hedging instruments of financial assets at fair value through equity when the hedged item is sold.

FINANCING COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

Financing commitments that are not designated as fair value through profit or loss or not treated as derivative instruments within the meaning of IFRS 9 are not recognised on the balance sheet. . However, they are covered by provisions in accordance with the FRS 9.

A financial guarantee contract is a contract under which the issuer must make specific payments to reimburse the guarantee holder for a loss incurred due to a specific debtor's failure to make a payment when due under the initial or amended terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value and subsequently at the higher of:
- The value adjustment amount for losses determined in accordance with IFRS 9;
- The amount originally recognised less, where applicable, the costs recognised in accordance with IFRS 15.

IMPAIRMENT FOR CREDIT RISK

Scope of application

In compliance with IFRS 9, the Crédit Agricole Italia Banking Group recognizes impairment with write-downs representing Expected Credit Losses (ECL) on the categories of financial assets given below:
- Financial assets consisting of debt instruments and recognised at amortised cost or at fair value through equity with recycling (loans and receivables, debt securities);
- Financing commitments which are not measured at fair value through profit or loss;
- Guarantee commitments that fall within IFRS 9 scope of application and that are not measured at fair value through profit or loss;
- Loans for leases falling in the IFRS16 scope;
- Trade receivables generated by transactions under the IFRS 15 scope of application.

Equity instruments (at fair value through profit or loss or at fair value without recycling) are not concerned by impairment provisions.

Derivative instruments and other instruments at fair value through profit or loss are subject to the calculation of counterparty risk which is not covered by the ECL model.

Credit risk and impairment (provisioning) stages

Credit risk is defined as risk of loss related to default by a counterparty leading to its inability to meet its commitments to the Group.

The model of impairment (provisioning) for credit risk has three stages:
- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee...), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the losses expected up to maturity;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, and then in stage 1 where the quality of credit risk further improves.

<u>Definition of default:</u>

The definition of default for the requirements of ECL provisioning is identical to that used in management and for the calculation of regulatory ratios. Therefore, a debtor is considered to be in default when at least one of the following conditions has been met:
- A payment more than ninety days past due (in accordance with the regulatory definition of non-performing past due position given by the Bank of Italy);
- The entity believes that the debtor is unlikely to fully settle its credit obligations unless the entity implements certain measures such as enforcement of collateral security right (in accordance with the definition of unlikely to pay given by the Bank of Italy);
- Insolvency status (in accordance with the definition of bad loan given by the Bank of Italy).

Definition of Expected Credit Loss – ECL

ECL is defined as the weighted expected value of the discounted credit loss (principal and interest).

It is the present value of the difference between contractual cash flows and expected ones (including principal and interest).

The ECL approach has been designed to anticipate as early as possible the recognition of expected credit losses.

ECL governance and measurement

The Risk Management and Permanent Controls Department is responsible for defining the methodological framework and for overseeing the process for ECL-related impairment of exposures and provisioning.

The calculation of impairment of performing assets is represented within the overall cost of credit process, which is coordinated by the Unlikely to Pay (UTP) Management Division.

To define the IFRS 9 parameters required to calculate ECL, the Crédit Agricole Italia Banking Group has primarily relied on its internal rating system and on the other regulatory processes already implemented. Credit risk is assessed using a forward-looking 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 the Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group used the following scenarios:

- Baseline scenario, i.e. the most likely scenario;
- Adverse scenario, i.e. the economic scenario in adverse conditions;
- Stress Budgétaire scenario, i.e. the adverse scenario used within the Stress exercise for budget preparation;
- Favourable scenario, i.e. the economic scenario in favourable conditions;

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

The Crédit Agricole Group updates the estimate of the parameters at least every year.

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

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

ECLs are calculated according to the type of product concerned, i.e. financial instruments or off-balance sheet instruments.

Expected credit losses are discounted at the Effective Internal Rate (EIR) determined upon initial recognition of the financial instrument.

The models and parameters used are backtested at least annually.

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 threshold
Large Corporate		2,0%
Small Medium Enterprises		3,0%
Retail	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 entered 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 (as defined below).

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

For its 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).

Post-model adjustments

Based on the results obtained with the calculation approach defined by the Group and based on the management information of the single counterparties, if the expected loss value associated with a specific counterparty does not accurately reflect its riskiness, the provisioning on the counterparty may be adjusted manually to a level deemed appropriate; such manual actions are allowed only if they increase the coverage ratio on the counterparty.

Impairment model on stage 3

Within the review of its impairment model for the non-performing portfolio, already essentially based on the discounting of future recovery flows, the further requirement of IFRS 9 to estimate a multi-scenario and forward-looking ECL was complied with combining the already envisaged scenario of internal recovery with an alternative recovery scenario consisting in the sale of the single non-performing exposure on the market.

This choice proved consistent with the objectives set in the NPL Strategy of the Crédit Agricole Italia Banking Group, which primarily identifies the reduction of the NPL stock (especially bad loans), through the sale of certain portfolios, as the strategy able, in certain conditions, to maximize their value for the Group, considering also the time for NPE recovery.

Specifically, as laid down in its "Guidance to banks on non-performing loans" published in March 2017, the ECB expects Banks with an NPL level that is considerably higher than the EU average level to design a strategy aimed at progressively reducing their NPLs; those changes in the NPL recovery strategies have been taken into account in applying IFRS9.

Indeed, IFRS9 (paragraph 5.5.17) reads that "the entity shall measure expected credit losses in a way that reflects:

a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) The time value of money;
c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions".

Specifically, IFRS 9 defines loss as the difference between all the contractual cash flows due and the cash flows that the entity expects to receive; therefore, the source of cash flows is not limited to the relevant contract, but includes all the cash flows that the creditor will receive. Consequently, if the entity intends to sell a non-performing loan to a third party in order both to increase its cash flows as much as possible and to implement a specific strategy for NPL management, the ECL estimate shall reflect also the sale scenario and, thus, the cash flows from the sale. In accordance with IFRS 9, sales scenarios that are merely possible may be taken into account and, as such, shall be smoothed with others that are deemed more likely.

Having said that, in the measurement of loans and receivables, in accordance with the IFRS 9 impairment model, the Crédit Agricole Italia Banking Group considers the various assumed recovery strategies in order to proportionally align them to a probability of sale determined consistently with the Group's NPL Plan.

Consequently, to the "ordinary" scenario, which assumes a recovery strategy based on loan collection typically through legal actions, realization of mortgage collaterals, contracts with loan collection firms, also the scenario of loan sale was added.

Measuring the impairment loss requires the assessment of the future cash flows that are deemed recoverable in the most likely scenario.

The methods to assess the loan recovery forecasts, in compliance with the ECB Guidance, consist in an estimate of future cash flows made based on two general approaches:

- In a scenario where the borrower is assumed as a going-concern, the cash flows from operations continue to be generated and can be used to repay the financial debt; the so-called “Going Concern Approach”;
- In a scenario where the borrower is assumed to discontinue operations, no cash flows from operations are generated to be used for debt service; the so-called “Gone Concern Approach”.

The Going Concern Approach is mainly applied to cases in which the cash flows from the borrower’s operations are material (vs. the debt) and can be reliably estimated, as well as in all cases in which the exposure is not backed with collaterals or is limitedly secured and to the extent collaterals can be realized without prejudicing the borrower’s ability to generate future cash flows.

In measuring generated cash flows, also the cash flows from operations of any guarantor may be taken into account.

The Gone Concern Approach shall apply where there are no significant cash flows from operations vs. the debt or where the exposure is largely secured and the enforcement of the related collaterals is essential to generate cash flows.

Contract modifications of financial assets

When the original contractual conditions are modified by the parties, it is to be verified whether the financial asset shall continue to be recognized or the original financial asset is to be eliminated recognizing a new financial instrument.

To this end, it is to be assessed whether the modifications to the contract terms and conditions as renegotiated are substantial or not.

In case of substantial modifications, the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

Renegotiations are deemed substantial if they introduce specific objective elements affecting the characteristics and/or cash flows of the financial instrument or if they concern customers that are not experiencing financial difficulties, in order to align the contract onerousness to the current market conditions. In the latter case, it is to be specified that, if the Bank did not agree to a renegotiation of the contractual conditions, the customer would be able to borrow from another intermediary with the subsequent loss by the bank of the revenue flows under the renegotiated contract; in other words, in case of renegotiation for commercial reasons, no loss in to be recognized by the bank in its income statement subsequent to the alignment to the current market conditions that are more favourable for its customers.

Conversely, in case of renegotiations deemed not substantial, the entity shall redetermine the present value of the new cash flows subsequent to the renegotiation, based on the original rate of the exposure in force before the renegotiation. The difference between such value and the book value before the modification shall be recognized in the specific item of the income statement as profit or loss from contract modifications with no derecognition (“modification accounting”).

Restructuring due to financial difficulties (forbearance measures)

Debt instruments that are restructured due to financial difficulties are those for which the entity has modified the initial financial conditions (interest rates, maturity) for business and legal reasons linked to the financial difficulties experienced by the borrower, in ways that would not have been applied in other circumstances.

This concerns all debt instruments, irrespective of the category the security has been classified into based on the deterioration in credit risk since initial recognition.

Loan restructuring includes all the modifications made to one or more loan contracts, as well as any other loans or credit facilities granted in consideration of the financial difficulties experienced by the customer.

This restructuring concept shall be assessed with regard to the contract rather than with regard to the customer (no contagion).

The definition of restructured loans subsequent to financial difficulties experienced by the customers is based on two cumulative criteria:

- Contract modifications or loan refinancing;
- A Customer in a difficult financial position.

«Contract modifications» are, for example, situations in which:

- There is a difference in favour of the borrower between the modified contract and the conditions before contract modification;
- The modifications made to the contract lead to conditions that are more favourable for the concerned borrower than those that other borrowers of the Bank, having similar risk profiles, could have obtained at that moment in time.

«Refinancing» means a new debt/loan is granted to the customer to repay, fully or in part, another debt as regards which the customer cannot comply with the contract conditions because of its financial situation.

The restructuring of a loan (whether performing or defaulted) is a sign of possible incurred loss risk. Therefore, the restructured/forborne exposure shall be accordingly assessed for any impairment/provisioning (restructuring does not systematically entail adjustment for incurred loss and classification as defaulted).

The classification as “restructured loan” or “Forborne exposure” is temporary.

If the restructuring transaction is carried out in accordance with the instructions of the European Banking Authority (EBA), the exposure retains the “restructured/forborne” status for at least 2 years, if it was performing upon restructuring, or for 3 years if it was defaulted upon restructuring. These periods shall be longer if some events provided for in the Group’s principles occur (for instance “reoccurrence”).

With no derecognition, the reduction in future flows granted to the counterparty or the deferral of such flows over a longer time horizon than the one before the restructuring shall entail recognition of impairment in the Income Statement.

The impairment for the restructuring shall be calculated as the difference between:

- The loan book value;
- The sum of the restructured future flows discounted at the original Effective Interest Rate (EIR).

In case of waiver of the claim to part of the principal, this amount shall be immediately recognized as an impairment adjustment of the loan.

Upon impairment, the portion regarding the passage of time shall be recognized under net interest income.

Purchased or Originated Credit-Impaired assets (POCI)

Pursuant to IFRS 9, a financial asset is considered impaired upon initial recognition if credit risk is very high and it is purchased with significant rebates vs. the residual contractual debt.

If, based on the classification drivers (SPPI test e Business Model), these financial assets are classified as assets measured at amortized cost or at fair value through other comprehensive income, they shall be classified as

"Purchased or Originated Credit Impaired Assets" ("POCI") and shall be subject to specific treatment as regards impairment.

As regards these exposures, IFRS 9 requires:
- Their initial recognition at fair value;
- That the expected credit loss be always estimated based on the expected loss over the lifetime of the financial instrument;
- That recognized interests be determined applying the "credit-adjusted effective interest rate" ("Credit Adjusted EIR") or the interest rate that, upon initial recognition, discounts all estimated future cash flows to the amortized cost of the asset, taking account in the estimate also of expected credit losses.

HEDGE ACCOUNTING

General framework

In compliance with the decision made by the Crédit Agricole Group, the Crédit Agricole Italia Banking Group has not applied the «hedge accounting» section of IFRS 9, exercising the option given by IFRS9 itself. All hedges have continued to be reported in accordance with IAS 39, up to the date of application of the supplement on fair value macro hedging (after its endorsement by the European Union). However, the eligibility of financial instruments for hedge accounting in accordance with IAS 39 takes into account the bases of classification and measurement of financial instruments pursuant to IFRS 9.

In accordance with IFRS 9 and with the IAS 39 hedging principles, eligible fair value and cash flow hedges are debt instruments at amortized cost and at fair value through equity (other comprehensive income) with recycling.

The Group hedges interest rate risk in order to immunize the Banking Book from changes in the fair value of funding and lending, caused by adverse movements in the interest rate curve, or of reducing the uncertainty of cash flows linked to a specific asset/liability in an integrated balance sheet perspective. Specifically, fixed-rate debenture loans have been hedged (micro-hedging), as have the mortgage loans with cap to Customers (macro-hedging), government securities in reserves (asset-swap hedging) and fixed-rate gaps detected by the internal model, which have been subject to macro-hedging. The hedges were made exclusively by purchasing Interest Rate Swaps and Interest Rate Options.

Documentation

Hedging relationships shall comply with the following principles:
- Fair value hedges have the purpose of protecting the entity against exposure to changes in the fair value of a recognize asset or liability or of an irrevocable commitment not recognized, attributable to the hedged risk or risks and able to impact on the income statement (for instance, total or partial hedge of fair value changes due to interest rate risk on a fixed-rate debt);
- Cash flow hedges have the purpose of protecting the entity against exposure to changes in future cash flows of a recognized asset or liability or of a transaction deemed very likely, attributable to the hedged risk or risks and able (in case of an expected transaction not occurred) to impact on the income statement (for instance, hedging of all or part of the payment of future interests on a variable-rate debt);
- Hedges of net investments in foreign operations have the purpose of protecting the entity against the risk of any unfavourable change in fair value associated with the foreign exchange risk within an investment in foreign operations in a currency other than the Euro.

When an entity intends to use hedges, the following conditions shall be met in order to benefit from hedge accounting:
- Eligibility of the hedging instrument and of the hedged instrument;
- Formalized documentation since inception, specifically including the individual designation and the characteristics of the hedged item, of the hedging instrument, the type of hedging relationship and the nature of the hedged risk;

- Evidence of the hedge effectiveness, at inception (i.e. prospectively) and retrospectively, through tests made at each reporting date.

For interest rate risk hedging of a portfolio of financial assets or financial liabilities, the Crédit Agricole Italia Banking Group prefers a fair value hedging relationship, as permitted by IAS 39 endorsed by the European Union (carve out version).

Specifically:
- The Group documents these hedging relationships based on a gross position of derivative instruments and hedges items;
- The effectiveness of these hedging relationships is proved with effectiveness tests.

Measurement

The measurement of the derivative at fair value is recognized as follows:
- Fair value hedges: the derivative remeasurement is recognized in the income statement matching the remeasurement of the hedged item. The income statement reports only the net amount of any ineffective portion of the hedge;
- Cash flow hedges: the derivative remeasurement is recognised as a balancing item of a specific profit or loss account directly recognized through equity with recycling for the effective portion and any ineffective portion of the hedge is recognised through profit or loss. Accumulated profits and losses through equity are then recycled to the income/through profit or loss when the hedged cash flows occur;
- Hedges of net investments in foreign operations: the derivative remeasurement derivative is recognised as a balancing item through equity with recycling and the ineffective portion of the hedge is recognized through profit or loss.

Where the conditions for benefiting from hedge accounting are no longer met, the following accounting treatment shall be applied prospectively:
- Fair value hedges: only the hedging instrument continues to be remeasured through profit or loss. The hedged item is wholly recognized in accordance with its classification. For debt instruments at fair value through equity with recycling, fair value changes after the termination of hedging relationship shall be fully recognized through equity. For hedged items measured at amortized cost, which were hedged for interest rate risk, the remaining portion of the remeasurement difference shall be amortized over the remaining life of the hedged items;
- Cash flow hedges: the hedging instrument is measure at fair value through profit or loss. The amounts accumulated through equity and regarding the effective portion of the hedge shall remain in equity until the hedged item affects profit or loss. Interest-rate hedged items shall be recognized through profit or loss as interests are paid. The remaining portion of the remeasurement difference is then amortized over the remaining life of these hedged items;
- Hedges of net investments in foreign operations: the accumulated amounts in equity regarding the hedge effective portion shall remain in equity as long as the net investment is held. When no longer within the scope of consolidation, net investments in foreign operations shall be recognized through profit or loss.

MAIN FINANCIAL STATEMENT ITEMS

1. Financial assets measured at fair value through profit or loss (FVTPL)

CLASSIFICATION

This category comprises the financial assets not classified as "Financial assets measured at fair value through other comprehensive income" or as "Financial assets measured at amortised cost".

The "Financial assets measured at fair value through profit or loss" item consists of three sub-items:

a) *"Financial assets held for trading"*: this category consists of financial assets (debt securities, equity securities, loans and units in OICR collective investment undertakings) managed in order to realize cash flows through their sale and, therefore, under the "Other" Business Model; this category also includes derivative instruments (except for those classified as hedging derivatives or financial guarantee contracts);

b) *"Financial assets designated at fair value"*: this category consists of financial assets (debt securities and loans) so designated upon initial recognition and where the related requirements are met (fair value option). As regards this category, an entity may irrevocably designate a financial asset at fair value through profit or loss if, and only if, by doing so it removes or materially reduces any measurement inconsistency;

c) *"Financial assets mandatorily measured at fair value*", consisting of the financial assets that are managed with the Business Model is "Hold to Collect" or "Hold to Collect and Sell", but that do not meet the requirements for measurement at amortized cost or at fair value through other comprehensive income. These are financial assets that do not pass the SPPI test, as their contractual terms do not solely envisage payments of principal and interest on the principal amount outstanding, or that are managed under the "Other" business model but are not held for trading. This category reports also units in OICR collective investment undertakings and equity securities that are not held for trading, for which, at first recognition, the entity did not exercised the option to classify them at fair value through other comprehensive income.

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS9 par. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the "Financial instruments (IFRS9, IAS 39 and IAS32)" paragraph in Part A.2 herein.

RECOGNITION

Debt and equity securities and units in OICR collective investment undertakings are initially recognized at the settlement date, while derivative contracts are recognized on the date they are signed. Loans are recognized on their disbursement date.

Specifically, upon recognition at the settlement date, the reporting entity recognizes any changes in the fair value of the asset to be received occurred between such date and the previous trading date, in the same way the purchased asset is recognized.

On initial recognition, "Financial assets measured at fair value through profit or loss" are recognized at fair value; unless otherwise specified, it consists of the price paid to execute the transaction and any transaction costs or revenues attributable to the instrument are not taken into account but are taken directly to the Income Statement.

MEASUREMENT AND RECOGNITION OF REVENUES

After initial recognition, "Financial assets measured at fair value through profit or loss" are stated at fair value.

The IFRS 13 defines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

To measure the fair value of financial instruments that are listed on an active market, market prices are used. Where there is no active market, fair value is measured using generally accepted estimation methods and measurement models that take account of all the risk factors correlated to the instruments and that are based on information available on the market, such as: the measurement of the price of listed instruments with similar features, discounted cash flows, option pricing models, values reported for recent comparable transactions, etc.

For equity securities and derivative instruments that have equity securities as underlying assets, not quoted in an active market, the cost approach is used as the fair value estimate only to a residual extent and limited to very few cases, that is to say when there is a wide range of possible fair value measurements of which cost is the most significant estimate.

The effects of the application of this measurement approach are recognized in the Income Statement, under item 80 “Net profit (loss) on trading” for “Financial assets held for trading” and under item 110 “Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss” for “Financial assets designated at fair value” and for “Financial assets mandatorily measured at fair value”. The same items report the derecognition of such financial assets. For more information on fair value measurement, please refer to paragraph 16 “Other Information – Fair Value Measurement” and to “Part A.4 – Fair value reporting”.

DERECOGNITION

Financial assets are derecognized if one of the following cases occurs:
- Contractual rights to the cash flows from the assets have expired;
- The financial asset is sold with substantial transfer of all risks and rewards resulting from its ownership. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if the relevant legal title has been transferred. Where it is not possible to ascertain whether all the risks and rewards of ownership have been substantially transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.
- The entity retains the contractual right to receive the cash flows from the assets, but it concomitantly undertakes the contractual obligation to pay such flows to a third party (pass-through arrangements).

2. Financial assets measured at fair value through other comprehensive income (FVOCI)

CLASSIFICATION

This category consists of financial assets that meet both the following conditions:
- The financial asset is managed in accordance with the “Hold to Collect and Sell” Business Model whose objective is achieve both by collecting the contractual cash flows and by selling the asset, and
- The contractual terms of the financial asset provide for, at specified date, cash flows that are solely payments of principal and interest on the principal amount outstanding and, therefore, the SPPI test is passed.

Therefore, this category includes debt securities and loans that are managed in accordance with the “Hold to Collect and Sell” Business Model and that have passed the SPPI test. This category also includes equity instruments, not held for trading, for which the irrevocable option was exercised upon initial recognition for their designation at fair value through other comprehensive income.

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS9 par. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the "Financial instruments (IFRS9, IAS 39 and IAS32)" paragraph in Part A.2 herein.

RECOGNITION

These financial assets are initially recognized at the settlement date for debt and equity securities and, as regards loans, at their disbursement date. At initial recognition, these assets are recognized at fair value that equal to, unless otherwise stated, the price paid for the transaction execution, including any costs or revenues directly attributable to the instrument.

MEASUREMENT AND RECOGNITION OF REVENUES

After initial recognition, Assets classified at fair value through other comprehensive income, consisting of debt securities and loans, are measured at fair value, recognizing the impacts generated by the amortized costs application in the Income Statement. For amortized cost measurement, please refer to paragraph 16 "Other information – Amortized Cost Measurement". Profits and losses on fair value measurement are recognized in a specific equity reserve (item "120. Valuation reserves"), which shall be recycled to the income statement (item 100b "Profit/losses from disposal/repurchase of financial assets measured at fair value through other comprehensive income) upon derecognition of the financial asset.

"Financial assets measured at fair value through other comprehensive income" – being them debt securities and loans – are subject to impairment testing in accordance with the IFRS 9, as are Assets at amortized cost, with subsequent recognition of value adjustments in the Income Statement for expected losses.

These adjustments are recognized in the Income Statement under item "130. Net losses/recoveries for credit risk", as the balancing item of the specific valuation reserve in equity (item "120. Valuation reserves"); the same applies to recoveries on part or all write-downs made in previous periods.

Equity instruments for which the option was exercised for their classification in this category are measured at fair value; profits or losses from fair value measurement are recognized as a balancing item of a specific equity reserve (item "120. Valuation reserves"). These reserves shall never be recycled to the income statement, including where allocated by selling the asset; in that case, the accumulated balance of the reserve is not recycled through profit or loss, but it is classified under retained earnings reserves in equity (item "150. Reserves"). Moreover, these assets shall not be written down in the Income Statement as they are not subject to impairment. The only component recognized in the Income Statement is collected dividends.

Fair value is determined using the standards adopted for "Financial assets measured at fair value through profit or loss". For the equity instruments included in this category, which are not quoted in an active market, the cost approach is used as the fair value estimate to a residual extent only and in very few circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there is a wide range of possible measurements of fair value, of which cost is the most significant estimate. For more information on fair value measurement, please refer to paragraph 16 "Other Information – Fair Value Measurement" and to "Part A.4 – Fair value reporting".

DERECOGNITION

Financial assets are derecognized only if their sale has substantially transferred all the risks and rewards associated with ownership of the same assets. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if legal title has been transferred.

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

Finally, financial assets which have been sold are derecognized if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, without relevant delay to other third parties.

3. Financial assets measured at amortized cost

CLASSIFICATION

This category consists of financial assets, specifically debt securities and loans, that meet both the following conditions:

- The financial asset is managed in accordance with the "Hold to Collect" Business Model whose objective is achieve by collecting the contractual cash flows and
- The contractual terms of the financial asset provide for, at specified date, cash flows that are solely payments of principal and interest on the principal amount outstanding and, therefore, the SPPI test is passed.

More specifically, this category includes loans to customers and banks – in any technical form – and debt securities that meet the requirements referred to above. This item also reports fine lease loans under IFRS16.

This category also includes operating loans and receivables linked to the provision of financial services, as defined by the Italian Consolidated Law on Banking (T.U.B.) and by the Italian Consolidated Law on Finance (T.U.F.) (e.g. for the distribution of financial products and servicing activities).

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS9 par. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the "Financial instruments (IFRS9, IAS 39 and IAS32)" paragraph in Part A.2 herein.

RECOGNITION

Financial assets are initially recognized at the settlement date for debt securities and, as regards loans, at their origination date. This asset item reports separately:

- Due from banks;
- Loans to customers.

Financial assets classified in this category are initially recognized at fair value, including any costs and revenues directly attributable to them.

Specifically, for loans, their disbursement date is usually the same as the date of contract signing. Should this not be the case, upon contract signing a commitment to disburse funds shall be recognized and derecognized on the loan disbursement date.

Loans and receivables are initially recognized at their fair value that is is equal to the amount disbursed, or subscription price, including costs and revenues directly attributable to the individual loan and determinable from the inception of the transaction, even if settled at a later time.

The initially recognized amount does not include costs to be reimbursed by the borrower or that can be classified as normal administrative overhead costs, despite having the above characteristics.

Repurchase agreements or reverse repurchase agreements are recognized as funding or lending transactions. Specifically, repurchase agreements are recognized as due and payables for the spot amount received, whereas reverse repurchase agreements are recognized as loans and receivables for the spot amount paid.

MEASUREMENT

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

Measurement at amortized cost entails that the asset is recognized at an amount equal to its initial recognition value less principal repayment, plus or minus accumulated amortization in accordance with the aforementioned effective interest rate method, of the difference between the initial amount and the amount at maturity (typically attributable to costs/income directly pertaining to the individual asset) and adjusted by any loss coverage provision.

The effective interest rate is the rate that exactly discounts the estimated future cash flows generated by the asset in terms of principal and interest, to the amount disbursed including costs and revenues attributable to the asset. Expected cash flows shall be estimated taking account of all contractual terms of the financial instrument, but irrespective of expected losses on loans and receivables. The calculation includes all fees and commissions, transaction costs and all other premiums or discounts. This measurement method uses a financial approach and allows the economic effect of the costs/income directly attributable to a financial asset to be spread over its expected remaining lifetime. For more exhaustive reporting on this matter, please refer to paragraph 16 “Other information – Amortized Cost Measurement”.

The amortized cost method is not used for assets that have short lifetime, as their discounting is expected to have negligible effects, for those with indefinite maturity and revocable loans. These assets are measured at historical cost and the costs/revenues attributable to them are recognized in the Income Statement on an accrual basis throughout their contractual term of validity.

The book value of financial assets at amortized cost is adjusted in order to report any provision for expected loss coverage. Indeed, at every reporting date, these assets are tested for impairment in order to estimate any Expected Credit Losses (ECL).

This scope includes non-performing loans (so-called “Stage 3” loans) classified as bad, unlikely- to-pay or non-performing past due in accordance with the rules issued by the Supervisory Authorities; this scope also includes performing loans classified as “Stage 1” and “Stage 2”, to which the “Expected credit losses” concept applied on a 12-month or lifetime basis, respectively.

The used bases of measurement are exhaustively described in the paragraph “Financial instruments (IFRS9, IAS 39 and IAS32) – Impairment for credit risk)” in Part A.2 of this document and, as already said, are strictly linked to the classification of these instruments in one of the three stages (credit risk stages) provided for by IFRS 9.

The model of impairment (provisioning) for credit risk comprises:
- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee...), the entity shall recognize expected credit losses over a time horizon of 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the losses expected up to maturity;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, and then in stage 1 where the quality of credit risk further improves.

Impairment losses are recognized in the income statement under item “130. Net losses/recoveries for credit risk”.

The original value of the financial assets is written back in following financial years if the exposure credit quality improves vs. the one that entailed the previous write-down. Writebacks for impairment recoveries are recognized in the Income Statement under the same item and the value of the loan after the writeback shall not in any event exceed the amortized cost that the asset would have had if the prior adjustment had not been made.

For non-performing exposures, accrued interests recognized in the Income Statement under item “10. Interest and similar income” is calculated based on amortized cost. The same item reports interest income due to the passage of time, calculated within the measurement of non-performing financial assets based on the original effective interest rate.

A specific item in the income statement reports interest income calculated with the effective interest method in accordance with Bank of Italy Circular 262.

DERECOGNITION

Financial assets are derecognized if one of the following cases occurs:
- Contractual rights to the cash flows from the assets have expired;
- The financial asset is sold with substantial transfer of all risks and rewards resulting from its ownership. Financial assets are derecognized only if their sale has substantially transferred all the risks and rewards associated with ownership of the same assets. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if the relevant legal title has been transferred. In case of substantial modifications to the contract (i.e. modifications that affect the characteristics and/or the cash flows of the financial instrument), the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.
  Where it is not possible to ascertain whether all the risks and rewards of ownership have been substantially transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if the company retains even a portion of control, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in value of the assets transferred and to changes in the related cash flows.
- Financial assets are written off where their recovery can no longer be reasonably expected, including in case of waivers of the rights to the asset;
- The entity retains the contractual right to receive the cash flows from the assets, but it concomitantly undertakes the contractual obligation to pay such flows to a third party (pass-through arrangements);
- The contract undergoes modifications that qualify as "substantial". In case of substantial modifications to the contract (i.e. modifications that affect the characteristics and/or the cash flows of the financial instrument), the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

4. Hedging

TYPES OF HEDGES

In compliance with the decision made by the Crédit Agricole Group, the Crédit Agricole Italia Banking Group has not applied the "hedge accounting" section of IFRS 9, exercising the option given by IFRS9 itself. All hedges have continued to be reported in accordance with IAS 39, up to the date of application of the supplement on fair value macro hedging (after its endorsement by the European Union). However, the eligibility of financial instruments for hedge accounting in accordance with IAS 39 takes into account the bases of classification and measurement of financial instruments pursuant to IFRS 9.

CLASSIFICATION

The "Hedging Derivatives" asset and liability items report financial derivatives held for hedging, which, as at the reporting date, have positive or negative fair values, respectively.

Hedging transactions are used to neutralize potential losses occurring on a given item or group of items attributable to a given risk where the risk event should occur.

The following types of hedges are used:
- Fair value hedges: these are used to hedge exposures to changes in the fair value (attributable to the different types of risk) of assets and liabilities or portions thereof, groups of assets and liabilities, irrevocable commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39, which was endorsed by the European Commission;

- Cash flow hedges: these are used to hedge exposures to changes in future cash flows caused by certain risks associated with financial statement items. This type of hedge is essentially used to stabilize interest cash flows from variable-rate funding to the extent it concerns fixed-rate loans. In some cases, similar hedges are used for some types of variable-rate loans;
- Hedge of an investment in a foreign currency: it is used to hedge risks of an investment in a foreign operation expressed in a foreign currency.

RECOGNITION

Hedging derivatives, like all derivatives, are initially recognized at subscription date and later measured at fair value.

MEASUREMENT AND RECOGNITION OF REVENUES

Hedging derivatives are measured at fair value. Specifically:

- In case of fair value hedging, changes in the fair value of the hedged item are offset against changes in the fair value of the hedging instrument.

  This offsetting is recognized in the Income Statement under item "90. Net profit (loss) on hedging activities" by reporting value changes regarding both the hedged item and the hedging instrument. Any difference that may arise, since it represents the partial ineffectiveness of the hedge, also represents its net effect on the income statement;
- Cash flow hedges: these are used to hedge exposures to changes in future cash flows caused by certain risks associated with financial statement items. This type of hedge is essentially used to stabilize interest cash flows from variable-rate funding to the extent it concerns fixed-rate loans. In some cases, similar hedges are used for some variable-rate loans. Changes in the fair value of the derivative are recognizes in equity (item "120. Valuation reserves"), for the effective portion of the hedge, and are recognized through profit or loss only when the cash flow change to be offset occurs regarding the hedged item;
- Hedge of an investment in a foreign currency: it is used to hedge risks of an investment in a foreign operation expressed in a foreign currency and it is recognized as cash flow hedges are.

The derivative instrument is classified as held for hedging where there is formal documentation of the relationship between the hedged item and the hedging instrument and where it is effective at inception and throughout its life.

The effectiveness of the hedge depends on the degree to which changes in fair value of the hedged instrument or the relative expected cash flows are offset by changes in that of the hedging instrument. Accordingly, the hedge effectiveness is gauged by comparing the above-mentioned changes, taking into account the intention of the company at the inception of the hedge.

Hedging is deemed effective when changes in the fair value (or the cash flows) of the hedging instrument almost entirely – i.e. within an interval of between 80% and 125% – offset changes in the value of the hedged item for the hedged risk factor.

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

- Prospective tests, which justify the application of hedge accounting, since they demonstrate the expected effectiveness of the hedge;
- Retrospective tests, which show the degree of effectiveness of the hedge achieved during the reference period. In other words, they measure how actual results deviate from the perfect hedge.

Any hedge ineffectiveness caused by economic circumstances that are expected to return to normal as confirmed by prospective tests is not taken into account.

<u>Termination of the hedging relationship</u>

If the hedge effectiveness is not proved by the verifications and tests carried out, from that time on hedge accounting, as described above, shall be terminated, the derivative contract shall be reclassified to "Financial assets measured at fair value through profit or loss" and, specifically, to "Financial assets held for trading".

In case of fair value hedges, the hedged item is measured with the original measurement approach of the category it belongs to; for instruments measured at amortized cost, any cumulative recoveries/losses recognized subsequent to the fair value change of the hedges risk are recognized in the Income Statement under interest income and interest expense throughout the residual life of the hedged item, based on the effective interest rate. If the hedged item is sold or repaid, the fair value portion that has not yet been amortized shall be immediately recognized in the Income Statement.

Hedging of portfolios of assets and liabilities

The hedging of portfolios of assets and liabilities ("macrohedging") and its consistent recognition can be done after:
- Identifying the portfolio to be hedged and breaking it down by maturity;
- Designating the item to be hedged;
- Identifying the interest rate risk to be hedged;
- Designating the hedging instruments;
- Determining effectiveness.

The portfolio hedged against interest rate risk may contain both assets and liabilities. This portfolio is broken down by maturity in terms of collection or repricing of the interest rate, after analyzing the cash flow structure. Fair value changes occurred in the hedged item are recognized in the Income Statement under item "90. Net profit (loss) on hedging activities" and in the Balance Sheet under item "60. Fair value change of financial assets in macro-hedge portfolios" or under item "50. Fair value change of financial liabilities in macro-hedge portfolios". Fair value changes occurred in the hedged item are recognized in the Income Statement under item "90. Net profit (loss) on hedging activities and in the Balance Sheet under Asset item "50. Hedging Derivatives" or under liability item "40. Hedging derivatives".

In case of early termination of fair value macrohedging, the cumulative recoveries/losses are recognized in the Income Statement under interest income or interest expense throughout the residual duration of the original hedging relationships, granted that it is verified that the related requirements are met.

5. Equity investments

RECOGNITION, CLASSIFICATION AND MEASUREMENT

This item reports equity investments held in associates and joint ventures that are recognized using the equity method.

Joint ventures are companies in which the voting rights and the control of its business activities are shared equally, directly or indirectly, between the Parent Company and another party. Joint arrangements also include equity investments in which, despite the lack of equal voting rights, control over the business activities and the strategic policies of the investee company is shared with other parties under contractual agreements.

Associates are companies in which the Group exercises a significant influence, holding, directly or indirectly, at least 20% of the voting rights (including "potential" voting rights that may be exercised) or having the power to participate in determining its financial and management policies, despite holding less than 20% of the voting rights, owing to specific legal ties, such as being party to a shareholders' agreement.

RECOGNITION

These financial assets are initially recognized at the settlement date. At initial recognition, these financial assets are recognized at cost, including any goodwill paid upon acquisition which, therefore, is not separately recognized.

MEASUREMENT AND RECOGNITION OF REVENUES

The book value of the financial asset is then increased or decreased in order to recognize the portion of profit and losses of the investees attributable to the Group and realized after the equity investment acquisition, as the balancing item of the Consolidated Income Statement item "250. Profit (losses) on equity investments". Dividends received from an investee are recognized as a reduction in the book value of the equity investment.

Where there is evidence that the value of an equity investment may be impaired, its recoverable value is determined, taking into account the present value of future cash flows that the shareholding could generate, including its value upon disposal.

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

If the reasons for the impairment are removed subsequent to an event occurred after the impairment loss recognition, a writeback is taken to the Income Statement

DERECOGNITION

Equity investments are derecognized in case of any sale that transfers essentially all rights and rewards associated with their ownership.
In case significant influence or joint control can no longer be exercised, any residual investment shall be reclassified to the portfolios of financial assets in accordance with IFRS 9.

6. Property, Plant and Equipment

CLASSIFICATION

"Property, plant and equipment" includes land, operating property, investment property, technical plants, furniture, furnishings and equipment of any type, works of art and property, plant and equipment inventories governed by IAS 2.

These assets are held to be used in production or supply of goods and services (property, plant and equipment used in operations in accordance with IAS 16), to be rented out to third parties or for investment purposes (investment property governed by IAS 40) and are intended to be used for longer than one period.

This item also reports the rights-of-use of property, plant and equipment assets acquired with lease contracts in which the Bank is the lessee, irrespective of their specific legal form.

RECOGNITION

"Property, plant and equipment" assets are initially recognized at cost, which includes, in addition to the purchase cost, all costs directly attributable to purchasing and placing the asset in service. Extraordinary maintenance expenses that increase the future economic benefits generated by such assets are recognized as an increase in the value of the assets, while ordinary maintenance costs are recognized in the Income Statement.

The initial measurement of the right-of-use asset includes the present value of future lease payments, the lease payments made on or before the lease contract effective date, initial direct costs and any estimated costs for dismantling, removal or restoration of the lease underlying asset, less any lease incentives received by the lessee.

As pointed out in the paragraphs below, the lessee may apply also IAS 40 to measure the Right-of-Use asset.

MEASUREMENT AND RECOGNITION OF REVENUES

Property, plant and equipment assets, including investment property and right-of-use assets, are measured at cost less depreciation and impairment.

These assets are systematically depreciated over their useful life on a straight-line basis, as reported in the table below:

Description	Duration
Land	No depreciation
Operating property	33 years (1)
Other investment property	
- other	33 years (1)
- High-end property and property inventories (IAS2)	No depreciation
Furniture, fittings, alarm systems and vehicles	From 4 to 10 years
Computers and electronic equipment	From 3 to 10 years
Works of art	No depreciation

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

Lease right-of-use assets are depreciated on a straight-line basis overt the lease term as determined in accordance with the Group's IFRS 16 policy.

Properties are depreciated at a rate based on a useful life deemed fit to appropriately represent the deterioration of the assets over time due to use, taking into account any extraordinary maintenance costs, which increase the value of the asset, and ordinary maintenance costs, which maintain the value of the assets for longer periods of time. However, the assets' remaining useful life is verified on a regular basis.

The depreciation cost for property, plant and equipment is recognized in the Income Statement in item "210 Net adjustments of/recoveries on property, plant and equipment".

The following assets are not depreciated:
- Land, whether acquired separately or incorporated in the value of the building, since it has indefinite useful life. Where its value is incorporated in the value of the building, under the components approach, the land is considered separable from the building. The division between the value of the land and the value of the building is based on appraisals by independent experts, for buildings entirely owned by and, therefore, fully available to the Company, including the land;
- High-end property;
- Property, plant and equipment inventories governed by IAS 2 and measured at the lower between cost and fair value;
- Works of art, since their useful life cannot be estimated and their value normally increases over time.

If there is evidence of impairment of the asset, the asset's book value is compared to its recoverable value. For more exhaustive reporting, please refer to paragraph "16 Other Information – Method to calculate impairment losses – Other non-financial assets".

Any adjustments are recognized in the Income statement under item "210 Net adjustments of/recoveries on property, plant and equipment".

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

DERECOGNITION

Property, plant and equipment items are derecognized when disposed of or when the asset is permanently withdrawn from use and no future benefits are expected from its disposal.

7. Intangible Assets

CLASSIFICATION

Intangible assets are non-monetary assets that are identifiable and not physical, stem from legal or contractual rights, are held to be used for several years and are expected to generate future economic benefits. The main types of intangible assets are:

- Software acquired from external sources or with licence for use;
- In-house developed software;
- Residual goodwill recognized as the difference between purchase cost and the fair value of the assets and liabilities acquired and contingent assets and liabilities recognized upon acquisition in accordance with the IFRS 3 determination criteria;
- The intangibles representing business with Customers are recognized subsequent to the adoption of IFRS 3.

RECOGNITION AND MEASUREMENT

Separately acquired and internally generated intangible assets are initially recognized at cost adjusted by any ancillary expenses, only if the economic benefits from the asset are likely to be generated and if its cost can be reliably determined. Otherwise, the intangible asset cost is recognized in the Income Statement for the period in which it is borne. Intangible assets acquired through business combinations are recognized at fair value as at the acquisition date.

MEASUREMENT AND RECOGNITION OF REVENUES

After initial recognition, intangible assets are recognized net of the accumulated amortization and of any cumulative impairment losses. Intangible assets' useful life is assessed as finite or indefinite.

Intangible assets with finite useful life are amortized over their useful life and are tested for impairment every time signals of possible impairment are detected. The amortization period and approach for intangible assets with finite useful life are reassessed at least at the end of every year. Changes in the expected useful life or in the modalities with which the future economic benefits linked to the assets will be received are recognized through the change of the period or amortization approach, as the case may be, and are considered as accounting estimate changes. The amortization cost for intangible assets with finite useful life is recognized in the Income Statement in item "220 Net adjustments of/recoveries on intangible assets".

Generally, software useful life is estimated as being five years. In compliance with IAS 38, paragraph 104, some large projects have been specifically identified and their useful life has been measured as being ten years.

Intangible assets with indefinite useful life, including goodwill are not amortized, but are tested for impairment annually, both at individual level and at level of cash-generating unit.

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

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

DERECOGNITION

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

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

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

“Non-current assets held for sale and discontinued operations” and “Liabilities in respect of assets held for sale” report non-current assets or groups of assets/liabilities which are in the process of being divested and for which a sale is considered highly probable. In case of transactions subject to authorization to be issued by Supervisory Authorities, the Group’s accounting policy, since it attaches an essential value to such authorization, provides for “Non-current Assets/Liabilities and discontinued operations” to be recognized as from the date of receipt of the such authorization (whether express or tacit).

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

9. Current and Deferred Taxes

RECOGNITION, CLASSIFICATION AND MEASUREMENT

These items report current and deferred tax assets and current and deferred tax liabilities, respectively, as regards income taxes.

Income taxes, calculated in accordance with the Italian tax legislation, are recognized on an accrual basis, consistently with the recognition of the costs and revenues generating them. Therefore, they represent the expense, equal to the balance of current and deferred tax assets and current and deferred tax liabilities, for taxes on income for the period. Income taxes are recognized in the Income Statement, except for those related to items debited or credited directly in equity, for which the related taxes are recognized, for consistency purposes, in equity.

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

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

In March 2016, the national tax consolidation scheme was adopted, with effects since the 2015 tax period, by the Crédit Agricole SA Group in Italy; such scheme was introduced with Article 6 of Italian Legislative Decree No. 147 of 14 September 2015, according to which also the Italian “sister” companies, whose controlling Company is resident in an EU Member State, may exercise the option for consolidated taxation.

This regime provides for the consolidated companies to transfer their taxable income (or their tax loss) to the Consolidating Entity Crédit Agricole Italia, which calculates a single taxable income or a single tax loss of the Group for the Italian corporate income tax (IRES), as the algebraic sum of the income and/or losses of the single Companies, and recognizes a single tax account payable to or receivable from the Italian Inland revenue Service.

In the consolidating entity’s financial statements, the intra-group balances resulting from the tax consolidation scheme are reported under the “Financial assets measured at amortized cost – due from banks” item for the provisions for Corporate Income Tax (IRES) allocated by the scheme member entities net of withholdings due and down-payments made (in the “Financial liabilities measured at amortized cost – due to banks” item if the down-payments made are higher than the provisions). In the same financial statement items, the scheme member entities recognize the receivable or payable balances resulting from their respective taxable income contributions to the consolidating entity.

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

Deferred tax assets, with regard to deductible temporary differences or future tax benefits that can be gained by carrying forward tax losses, are recognized to the extent their recovery is deemed likely.

Deferred tax liabilities are recognized for all taxable temporary differences, except for the reserves subject to tax deferral arrangements, since the amount of available reserves already subject to taxation makes it likely that no taxable operations will be carried out.

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

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

10. Provisions for risks and charges

Allocations to provisions for risks and charges are made when:
- A present obligation (legal or implicit) exists resulting from a past event;
- It is likely that resources will have to be used in order to generate the economic benefits necessary to fulfil the obligation;
- The obligation amount can be reliably estimated.

Where the time factor is significant, provisions are discounted. The allocation to provision is recognized in the Income Statement, which also reports interest expense accrued on provisions that have been discounted.

POST-EMPLOYMENT BENEFITS

The company pension plans, created pursuant to corporate agreements, qualify as "defined-benefit plans".

The liabilities referring to these plans and the relating social security costs for employees currently on staff are determined based on actuarial assumptions by applying the Projected Unit Credit (PUC) method. Under this method, future outlays are projected based on analyses of time series and the demographic curve and the discounting of these cash flows using market interest rates, as set forth in the relevant tables in the Note to the Financial Statements.

Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

Actuarial profits and losses, defined as the difference between the liability book value and the present value of the commitments as at the reporting date, are fully recognized directly in equity, under the item "Valuation reserves".

PROVISIONS FOR RISKS AND CHARGES REGARDING COMMITMENTS AND GUARANTEES GIVEN

This sub-item of the "provisions for risks and charges" item reports credit risk allowances recognized for commitment to disburse funds and for guarantees given within the scope of application of the impairment rules pursuant to IFRS 9. In principle, for these cases, the same methods apply for the allocation to the three credit risk stages and for the calculation of the expected loss as reported with regard to financial assets measured at amortized cost or at fair value through other comprehensive income.

OTHER PROVISIONS

Other provisions for risks and charges include provisioning for legal or other obligations associated with employment relationships or disputes, including tax disputes, resulting from a past event for which a cash outflow to settle the obligation is likely, granted that its amount can be reliably estimated.

Where the time factor is significant, provisions are discounted using current market rates. The amount allocated to provision is recognized in the Income Statement under item "200. Net provisions for risks and charges" and reports the increases in the provisions due to the passage of time.

This item also reports long-term employee benefits, the liabilities for which are determined using the same actuarial assumptions described for post-employment benefits. Actuarial gains and losses are immediately recognized in full in the Income Statement.

11. Financial liabilities measured at amortized cost

CLASSIFICATION

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

This item also reports lease liabilities recognized by the entity as the lessee.

RECOGNITION

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

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

Repurchase agreements or reverse repurchase agreements are recognized as funding or lending transactions. Specifically, repurchase agreements are recognized as due and payables for the spot amount received, whereas reverse repurchase agreements are recognized as loans and receivables for the spot amount paid.

Lease liabilities are recognized based on the present value of future lease payments still to be made as at the lease contract effective date in accordance with IFRS16.

MEASUREMENT AND RECOGNITION OF REVENUES

Following initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method. The result of this method is recognized in the Income Statement under item "20 Interest and similar expenses".

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

After the lease contract effective date, the lessee shall redetermine its lease liabilities in order to take account of the changes to lease payments; the amount of the redetermined lease liabilities shall be recognized as an adjustment of the right-of-use assets.

DERECOGNITION

Financial liabilities are derecognised when they mature or are settled. Liabilities are also derecognized when previously issued securities are repurchased.

The difference between the liability book value and the amount paid to purchase such liability is recognized in the Income Statement under item 100 "Net profit (loss) on sale or repurchase of financial liabilities".

The subsequent placement of repurchased securities on the market is treated as a new issue and is recognized at the new placement price, with no effect through profit or loss.

12. Financial liabilities held for trading

RECOGNITION

These financial instruments are recognized, at the date of subscription or at the date of issue, at cost, which is equal to the instrument fair value, without taking into account any directly attributable transaction costs or income.

This item also reports the negative value of derivative contracts held for trading, as well as the negative value of derivatives that are embedded in complex contracts but that are not strictly connected to such contracts.

It also includes liabilities originating from technical overdrafts generated by securities trading.

MEASUREMENT AND RECOGNITION OF REVENUES

All liabilities held for trading are measured at fair value through profit or loss.

For more information on fair value measurement, please refer to paragraph 16 "Other Information – Fair Value Measurement" and to "Part A.4 – Fair value reporting".

Profits and losses on trading and any capital gains and losses on measurement of the trading book are recognized in the Income Statement under item "80. Net profit (loss) on trading activities".

DERECOGNITION

Financial liabilities held for trading are derecognized when the contractual rights to the relevant cash flows expire or when the financial liability is sold with substantial transfer of all risks and rewards of ownership.

13. Financial liabilities designated at fair value

No one of the companies of the Crédit Agricole Italia Banking Group has decided to exercise the fair value option for financial liabilities.

CLASSIFICATION

Financial liabilities are designated at fair value if one of the following conditions is met:
- This classification allows to eliminate or significantly reduce any "accounting mismatching";
- They belong to groups of liabilities that are managed and their performance is measured based on fair value, in accordance with an appropriately documented risk management strategy.

RECOGNITION

They are initially recognized at fair value, without taking into account any transaction income or costs.

MEASUREMENT AND RECOGNITION OF REVENUES

These liabilities are recognized at fair value with the related effects recognized in accordance with the following rules laid down by IFRS 9:
- Any fair value changes attributable to changes in the entity's credit rating shall be recognized in a specific valuation reserve (item "120. Valuation reserve") net of the related tax effect in the Statement of Comprehensive Income (Equity);

- Any other fair value changes shall be recognized in the Income Statement under item "110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss".

For more information on fair value measurement, please refer to paragraph 16 "Other Information – Fair Value Measurement" and to "Part A.4 – Fair value reporting".

The amounts recognized in the Statement of Comprehensive Income shall not be later recycled through profit or loss, including when the liability has expired or has been settled; in this case, the accumulated Profit (Loss) shall be reclassified to the specific valuation reserve under another Equity item (item "150. Reserves"). This recognition approach shall not be applied if the recognition of the effects of the entity's credit rating in Equity determines or increases any accounting mismatch in the Income Statement. In this case, profits or losses associated with the liability, including those resulting from any changes in the entity's credit rating, shall be recognized through profit or loss.

After initial recognition, these financial liabilities are measured at fair value.

To measure the fair value of financial instruments that are quoted in an active market, market prices are used.

Where there is no active market, fair value is measured using generally accepted estimation methods and measurement models that are based on information available on the market, such as: methods based on the price of listed instruments with similar features, discounted cash flows, option pricing models and values reported for recent comparable transactions.

DERECOGNITION

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

14. Foreign currency transactions

RECOGNITION

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

MEASUREMENT AND RECOGNITION OF REVENUES

At each annual and interim financial reporting date, foreign currency items are measured as follows:
- Monetary items are translated at the exchange rate in force as at the reporting date;
- Non-monetary items measured at historical cost are translated at the exchange rate in force as at the transaction date;
- Non-monetary items measured at fair value are translated at the exchange rate in force as at the reporting date.

Exchange rate differences resulting from the settlement of monetary items or from the translation of monetary items at exchange rates other than the initial translation rate, or the translation of previous Financial Statements, are recognized in the Income Statement for the period in which they emerge.

When gains or losses relating to a non-monetary item are recognized in equity, the exchange rate difference for the item is also recognized in equity.

Conversely, when a profit or a loss is recognized in the Income Statement, the related exchange rate difference is also recognized in the Income Statement.

15. Insurance Assets and Liabilities

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

16. Other Information

ADJUSTMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES IN MACRO-HEDGE PORTFOLIOS

These items report changes in the fair value of financial assets and liabilities macro-hedged against interest rate risk, based on their respective balances, either positive or negative. The recognition of hedges is reported in point 4 “Hedging” of this section.

LEASES

IFRS 16 “Leases” requires entities to determine whether a contract is (or contains) a lease, based on the right to control the use of an identified asset for a given period of time; therefore, rental, hire, lease or loan agreements are in the scope of application of the new standard.

LEASES IN WHICH THE GROUP IS THE LESSEE

IFRS 16 provides for a single lessee accounting model, requiring lessees to apply it to both operating and finance leases, with a “Rights-of-use” approach (hereinafter “right of use” or “RoU”).

Therefore, for all leases in which it is the lessee, the reporting entity shall recognize the items listed below in its balance sheet:

- Future lease payments, which shall be recognized under financial liabilities as Lease Liability, which reports the obligation to make future payments and is discounted at the incremental borrowing rate (the liability decreases in accordance with payments made and increases by the amount of accrued interest due);
- The right of use, as expressed in the contracts, which shall be recognized as a lease asset reporting its value in a separate row in the Balance Sheet, under Property, plant and equipment (RoU Asset) to be calculated as the sum of the lease liability, the initial direct costs, any payments made on or before the contract effective date (net of any lease incentives received) and of dismantling and restoration costs.

The recognized costs are:

- The expenses for depreciation of right of use asset over the lease term of validity on a straight-line basis (impact on income from operations);
- Interest expenses accrued on the financial liability (impact on financial expenses and on financial income).

The minimum disclosure requirements for the lessee include:

- The subdivision of underlying assets into “classes”;
- Breakdown by maturity of lease liabilities;
- Information potentially useful to better understand the lessee’s business with reference to the lease contracts (e.g. early repayment or extension options).

In determining the scope of application of the new standard, the Group exercised the options for the following recognition exemptions pursuant to the standard:

- Short-term lease exemption (i.e. leases with term of less than 12 months);
- Low-value leases (leases with the underlying asset worth less than Euro 5 thousand).

Furthermore, it is specified that, based on the IFRS 16 requirements and the clarifications given by IFRIC (document “Cloud Computing Arrangements” of September 2018), software shall not fall in the IFRS 16 scope; therefore, all software shall be recognized in accordance with IAS 38 and the related requirements.

Leases in which the Group is the lessor

For lessors, IFRS16 retains the distinction between operating leases and finance leases in accordance with IAS 17. Leases are considered finance leases if they transfer all risks and rewards of ownership; otherwise, leases are classified as operating leases.

For finance lease contracts entered into by the Crédit Agricole Italia Banking Group as the lessor, the leased assets are recognized as receivables in the Balance Sheet with a value equal to the lease net investment, while interest income (financial components of lease fees) is recognized in the Income Statement, and the fee part representing principal repayment reduces the receivable value.

For operating leases, the lease payments accrued are recognized under the “Other income” item.

INSURANCE ASSETS AND LIABILITIES

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

TREASURY SHARES

The Parent Company Crédit Agricole Italia does not hold treasury shares. No company of the Group holds shares in the Parent Company. The treasury shares held by the companied consolidated on a line-item basis and recognized under the “Treasury shares” item in the separate financial statements, as at 31 December 2019 were reclassified under the “Reserves” item in the consolidated financial statements.

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

OTHER ASSETS

This item reports assets that cannot be classified under other asset items in the Balance Sheet. By way of example, this item may report:
- Gold, silver and precious metals;
- Accrued income other than capitalized on the related financial assets;
- Receivables associated with the supply of non-financial goods and services;
- Tax due and payables other than those recognized under item “110. Tax assets”.

It also reports leasehold improvement, expenses other than those recognized under item “90. Property, plant and equipment”, as they cannot be separated from the assets they refer to and, therefore, cannot be used separately. It can also report any remaining assets (“debt balance”) of transit and suspended items not recognized in the relevant accounts as long as their total amount is negligible.

ACCRUALS AND DEFERRALS

Accrued income and prepaid expenses and accrued expenses and deferred income for the period on assets and liabilities are recognized as adjustments to the assets and liabilities they refer to.

LEASEHOLD IMPROVEMENT

The costs of renovating leased property are capitalized in consideration of the fact that, during the lease term, the lessee company has control over and enjoys the future economic benefits of the assets. These costs are recognized under “Other Assets”, pursuant to the aforementioned Bank of Italy Circular No. 262/2005, are amortized for a period that is not longer than the remaining lease term.

The balancing item in the Income Statement of the above provisions is recognized under “Other operating expenses”.

EMPLOYEE SEVERANCE BENEFITS

Until 31 December 2006, the employee severance benefits of Italian companies were considered defined-benefit plans. The regulation of these benefits was amended by Italian Law No. 296 of 27 December 2006 (Italy's "2007 Finance Act") and subsequent Decrees and Regulations issued in the first months of 2007. In the light of such amendments, this item is now to be considered a defined-benefit plan exclusively for the portions accrued before 1 January 2007 (and not yet settled as at the reporting date), whereas, after such date, it is treated as a defined-contribution plan.

Therefore, with reference to the defined-benefit plan component the benefit cost is calculated separately for each plan using the actuarial unitary credit projection method. Under this method, future outlays are projected based on an analysis of time series and the demographic curve, and the discounting of these cash flows using a market interest rate. Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

The expenses for the plan are recognized under personnel expenses, include interests accrued, while employees' severance benefits accrued in the year, following the supplementary pension scheme reform introduced with the 2007 Financial Act, are entirely allocated to the " defined-contribution plan".

Actuarial gains and losses, including revaluation of the portions accrued in the previous years, based on the reference ISTAT (Italian National Institute of Statistics) index, are taken to a specific equity reserve, starting from 2010.

Based on the employees' choice, the amounts are allocated to supplementary pension schemes or to the Treasury fund managed by INPS (Italian Social Security Institute). The portions allocated to the defined-contribution plan are calculated based on the contributions due for each year without applying actuarial calculation methods.

SHARE-BASED PAYMENT

Share-based remuneration plans for staff are recognized in the Income Statement, with a corresponding increase in Equity, based on the fair value of the financial instruments allotted as at the awarding date, spreading the expense over period covered by the plan.

The fair value of any options is calculated using a model that takes into account information such as the exercise price and term of the option, the current price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the plan specific features The measurement model separately measures the options and the probability that the conditions for granting the options will be achieved.

Any reduction in the number of financial instruments awarded is reported as derecognition of a portion of such instruments.

REVENUE RECOGNITION

Revenues are recognised when realized or when it is probable that future benefits will be received and these future benefits can be reliably determined. Specifically:

- interest revenues are recognized on an accrual basis, using the contractual interest rate or the effective interest rate where the amortized cost method is applied;
- Default interest, if any is contractually provided for, is recognized in the Income Statement only upon collection;
- Dividends are recognized in the income statement when their distribution is authorized;
- Fee and commission income for revenues from services is recognized, where the relevant agreements exist, in compliance with IFRS 15 (fee and commission income considered in the amortized cost for determining the effective interest rate are recognized under interest income);
- Revenues from intermediation of financial instruments held for trading, calculated as the difference between the transaction price and the instrument fair value, are recognized in the Income Statement when the transaction is recognized, if the fair value can be determined with reference to parameters or transactions recently observed in the same market in which the instrument is traded.

If these values cannot be easily detected or the instrument is not highly liquid, the financial instrument is recognized at a value equal to the transaction price, less the commercial profit; the difference vs. the fair value is recognized through profit or loss over the transaction duration with progressive reduction, in the measurement model, of the correction factor relating to the instrument's low liquidity.

REVENUES FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

Fee and commission revenues and expenses are recognised in the Income Statement based on the nature of services they refer to.

Fees and commissions that are an integral part of the financial instrument yield are recognised as an adjustment to the return on the instrument and included in its effective interest rate.

The recognition of other types of fees and commissions in the income statement shall reflect the time of transfer to the customer of control of the goods or services sold.

The net income from a transaction associated with the provision of services is recognised under Fee and commission income at the time of transfer of control of the service to the customer, if this can be reliably estimated. This transfer may occur as the service is provided (ongoing service) or on a specific date (one-off service);

a) Fee and commission income from ongoing services (fees and commissions on payment instruments, for example) shall be recognised through profit or loss according to the degree of progress of the service provided.
b) Fees and commissions collected or paid as consideration for one-off services shall be fully recognized through profit or loss when the service is provided.

Fees and commissions to be paid or collected, or not yet earned, shall be progressively recognized as the performance obligation is satisfied over time. These estimates shall be updated at every reporting date. In practice, this condition can result in the deferred recognition of certain items of performance-related fee and commission income until such income has been definitively acquired.

CONTRIBUTIONS TO THE SINGLE RESOLUTION FUND

The Bank Recovery and Resolution Directive (BRRD – 2014/59/EU) lays down the new resolution rules applying since 1 January 2015 to all the banks within the European Union.

Effective from 1 January 2015, the relevant measures shall be financed by the National Resolution Fund, which, on 1 January 2016, was merged into the Single Resolution Fund (SRF), managed by the European Single Resolution Board (SRB).

The Single Resolution Fund shall reach a target level of financial resources by 31 December 2023 through the payment of a yearly ex-ante contribution, which, normally, pursuant to the Delegated Regulation of the European Commission No. 2015/81, may be paid also with irrevocable payment commitments (IPC). For 2019, credit institutions were allowed to use such commitments as to 15% of total contributions, as in the three previous years. To secure full payment of the total contributions, intermediaries are required to give eligible assets as collateral, which, for the four years in question, may consist only of cash.

In 2019, the Bank of Italy, in its capacity as the Resolution Authority, provided the Italian Banks that are subject to the above regulation with a communication setting forth the ordinary contribution due for the 2019 financial year, calculated pursuant to Delegated Regulations of the European Commission No. 2015/63 and 2015/81. This contribution was determined by the Single Resolution Board in cooperation with the Bank of Italy.

It is reported that the all the Banks of the Group exercised the option to settle 15% of their total contribution through irrevocable payment commitments.

The ex-ante ordinary contribution to the Single Resolution Fund, net of IPCs, to be paid by the Crédit Agricole Italia Banking Group for 2019 amounts to Euro 15.5 million.

Moreover, in June 2019, the Bank of Italy requested additional contributions to the Italian National Resolution Fund in order to handle further financial needs. This contribution paid by the Crédit Agricole Italia Banking Group amounted to Euro 6.7 million.

These contributions are recognized in the Income Statement under “Other administrative expenses”.

CONTRIBUTIONS TO THE DEPOSIT GUARANTEE SCHEME

The Deposit Guarantee Scheme Directive – 2014/49/EU (DGSD) laid down an harmonized regulatory framework applying throughout the European Union on deposit guarantee schemes.

The Deposit Guarantee Scheme provides coverage of Euro 100,000 per depositor. In Italy, it is managed by the Interbank Deposit Protection Fund.

The Scheme requires member banks to give an ex-ante contribution, which is intended to achieve the financial target level, i.e. 0.8% of the amount of the covered deposits of all authorized credit institutions in all Member States, by 3 July 2024.

If the Scheme does not have the resources to intervene where needed, an extraordinary contribution (ex-post) may be requested.

The contribution paid by the Crédit Agricole Italia Banking Group for 2019 amounted to Euro 24.1 million.

These contributions are recognized in the Income Statement under “Other administrative expenses”.

BUSINESS COMBINATIONS

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

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

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

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

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

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

IFRS 3 gives limited accounting guidelines regarding transactions under common control, previously described in the Accounting Principles Board (APB) Opinion. This method (“pooling of interest”) requires, for these transactions, assets and liabilities to be recognized at the historical values (book valued) of the combined entities, rather than at their respective fair values without recognizing goodwill.

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

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

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

FAIR VALUE MEASUREMENT

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price) on the main (or more advantageous) market, irrespective of whether this price can be directly observed or is estimated using a valuation technique. Fair value applies to every financial asset or liability on an individual basis. As an exception, it can be estimated at a portfolio level, if the strategy for risk management and monitoring allows it and if appropriate documentation is provided. However, certain fair value parameters are calculated on a net basis, when a group of financial assets and financial liabilities is managed based on its net exposure to market or credit risks. This is the case for calculation of Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA) for derivatives.

More exhaustive reporting on these parameters is given in Part A.4 of the Note to the Financial Statements.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

For financial instruments, fair value is determined using prices from financial markets in the case of financial instruments listed in active markets, or using internal measurement models for other financial instruments.

A market is considered active if quoted prices, representing actual and regular market transactions occurring during an appropriate reference period, are readily and regularly available from sources such as stock exchanges, stockbrokers, intermediaries, industry companies, pricing services or authorized bodies. Collective investment schemes (EFT), spot exchange transactions, futures, options and equity securities listed on a regulated market are considered as traded on a regulated market. Bonds for which at least two executable prices can be detected on a quotation service with a bid-asking spread that is less than an interval deemed consistent are also considered as traded in an active market. Otherwise, all securities, derivatives and hedge funds that do not belong to the above categories are not considered as traded on an active market.

For financial instruments traded on active markets, the price is used which is defined as "official", as at the closure of the reference period.

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

Where there is no active, liquid market, the fair value of financial instruments is defined mainly by using standard measurement techniques designed to establish what the transaction price would have been on the measurement date in an arm's length trade carried out for normal market reasons. In incorporating all the factors that operators would consider in setting the price, development of the valuation models takes into account the time value of money at the risk-free rate, the volatility of the financial instrument, as well as, where applicable, exchange rates, commodity prices and stock prices.

With finance products for which the fair value determined with measurement techniques cannot guarantee a sufficient degree of reliability, the value is prudentially calculated as the fair value at the reference date communicated by the parties with which the transactions were signed.

The measurement method chosen for a financial instrument is applied consistently over time and may only be altered if significant changes in market conditions or the subjective condition of the issuer of the financial instrument occur.

For bonds and derivative contracts, globally accepted valuation models have been set, which refer to market parameters, to the time value of money and to risk-free rates.

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

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

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

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

For financial instruments held for sale and for those assets and liabilities recognized at cost or amortized cost, the fair value for reporting purposes or given as disclosure in the Note to the Financial Statements is calculated as follows:

- The fair values of medium/long-term assets and liabilities are primarily measured by discounting future cash flows, taking account of the riskiness of the relevant portfolio;
- A good approximation of the fair value of demand or short-term assets and liabilities is their book value as initially recognized and net of collective/individual writedowns;
- The book value of non-performing loans (bad debts, unlikely to pay and past-due positions) is deemed to be a reasonable fair value approximation;
- The book value initially recognized of floating-rate and short-term fixed-rate securities is deemed a reasonable fair value approximation, due to the fact that it reflects both the change in rates and the measurement of the credit risk associated with the issuer.

An analogous approach is applied for the fair value measurement of medium-/long-term fixed-rate securities and structured securities that are hedged for interest rate risk, for which the book value determined for hedge accounting purposes already takes account of interest rate risk measurement. For the latter, in determining the fair value reported in the Note to the Financial Statements, changes in their credit spread were not taken into account, considering the same within the Group.

With regard to real estate properties, for which the fair value is calculated only for the purposes of disclosure in the Note to the Financial Statements, reference is made to a value primarily based on appraisals by independent experts, considering transactions at current prices in an active market for similar properties in the same geographical area and under the same conditions for leases and other contracts.

AMORTIZED COST MEASUREMENT

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization, calculated using the effective interest method, of any difference between the initial amount and the amount at maturity, and minus any impairment loss.

The effective interest rate is the rate that exactly discounts the future cash flows generated by the financial asset or liability to the contractual cash flow in money or received up to maturity or up the subsequent repricing date to the present value of the financial asset or liability.

To calculate the present value, the effective interest rate is applied to future cash flows or payments over the life of the financial asset or liability or for a shorter period of time under certain conditions (for example, changes in market rates).

Subsequent to initial recognition, with the amortized cost method, revenues and costs can be allocated as decreases or increases in the value of the instruments over their expected lifetime, through the amortization process. The determination of amortized cost varies according to whether the financial assets/liabilities being measured are at fixed or variable rate, and – in the latter case – according to whether the rate variability is known or not beforehand. For fixed-rate instruments, or instruments with fixed rate over specified time periods, future cash flows are measured using the known interest rate (single or variable) over the life of the loan. For floating rate financial assets and liabilities whose variability is not known ahead of time (e.g. because it is linked to an index), cash flows are determined using the last known rate. Each time the rate is changed, the amortization schedule is recalculated, as is the effective rate of return over the entire useful life of the instruments, i.e. to maturity. Any adjustments are recognized as expense or income in the Income Statement.

Measurement at amortized cost applies to financial assets measured at amortized cost and to financial assets measured at fair value through other comprehensive income, as well as to financial liabilities measured at amortized cost.

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

Transaction costs are marginal internal or external costs or revenues that are directly attributable to the issue, acquisition or disposal of a financial instrument and that cannot be charged to the customer. These fees and commissions, which must be directly attributable to individual financial assets or liabilities, affect the original effective rate of return and cause the effective interest rate associated with the transaction to vary from the contractual interest rate. Transaction costs do not include costs and revenues that apply, indiscriminately, to more than one transaction and do not include components relating to events that could occur over the life of the financial instrument that are not certain at the time the instrument is initially prepared, such as: commissions for retrocession, no use, early repayment.

Furthermore, the amortized cost calculation does not take account of the costs that the Group would bear independently of the transaction (for example, administrative costs, recording and communication expenses), of the costs that, though specifically attributable to the transaction, fall within normal loan management practices (for example, activities associated with disbursement of the loan), as well as fees and commissions for services collected for the completion of Structured Finance operations, which would however have been collected irrespectively of the subsequent financing of the transaction (such as, for example, arrangement fees and commissions).

With specific reference to loans, costs attributable to the financial instrument include commission paid to distribution channels, fees paid for advice/assistance regarding the organization and/or participation in syndicated loans and expenses borne for loans acquired by subrogation; while the revenues considered in the calculation of amortized cost are up-front commissions relating to loans granted at lower-than-market rates, fees and commissions for participation in syndicated transactions and brokerage fees linked to commissions paid by intermediation companies.

With regard to securities not measured at "fair value through profit or loss", transaction costs include fees and commissions on contracts with stockbrokers operating in Italian markets, fees and commissions paid to intermediaries operating in foreign stock and bond markets based on set fee and commission schedules. The amortized cost does not include stamp duties, as these are deemed immaterial.

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

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

Hedged financial assets and liabilities, for which changes in fair value with respect to the hedged risk are recognized in the income statement, are not measured at amortized cost. However, the financial instrument is once again measured at amortized cost where the hedge terminates. From that moment, previously recognized changes in fair value are amortized, calculating the new effective interest rate that takes account of the value of the loan adjusted for the fair value of the hedged item, up to the originally scheduled expiry of the hedge. Moreover, as previously stated in the section on measuring loans and receivables, debt and debt securities issued, the amortized cost method does not apply to short-term financial assets and liabilities since the impact of discount is negligible, and does not apply to loans without a specified maturity or loans subject to revocation.

IMPAIRMENT OF ASSETS

FINANCIAL ASSETS

In compliance with IFRS 9, the Crédit Agricole Italia Banking Group recognizes impairment with write-downs representing Expected Credit Losses (ECL) on the categories of financial assets given below:

- Financial assets recognised at amortised cost or at fair value through equity (other comprehensive income) with recycling (loans and receivables, debt securities);
- Financing commitments which are not measured at fair value through profit or loss;
- Guarantee commitments that fall within IFRS 9 scope of application and that are not measured at fair value through profit or loss;
- Loans for leases falling in the IFRS16 scope;
- Trade receivables generated by transactions under the IFRS 15 scope of application.

The model of impairment (provisioning) for credit risk has three stages:

- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee...), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the losses expected up to maturity;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, and then in stage 1 where the quality of credit risk further improves.

Expected Credit Loss (ECL) is the weighted expected value of the discounted credit loss (principal and interest).

To define the IFRS 9 parameters required to calculate ECL, the Crédit Agricole Italia Banking Group has primarily relied on its internal rating system and on the other regulatory processes already implemented. Credit risk is assessed using a forward-looking expected loss model and extrapolation based on reasonable future scenarios. All information that is available, pertinent, reasonable and justifiable, including forward-looking information, shall be taken into account.

Therefore, in compliance with the requirements laid down by the standard, in order to estimate parameters, a set of forward-looking scenarios is used, each one of which is weighted by the related probability of occurrence.

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

ECLs are calculated according to the type of product concerned, i.e. financial instruments or off-balance sheet instruments.

Within the review of its impairment model for the non-performing portfolio, already essentially based on the discounting of future recovery flows in accordance with IAS 39, the further requirement of IFRS 9 to estimate a multi-scenario and forward-looking ECL was complied with combining the scenario pursuant to IAS 39 (internal recovery) with an alternative recovery scenario consisting in the sale of the single non-performing exposure on the market.

Expected credit losses are discounted at the Effective Internal Rate (EIR) determined upon initial recognition of the financial instrument.

OTHER NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets with a finite useful life undergo impairment testing if there is evidence that the book value of the asset can no longer be recovered.

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

If the book value of an asset is higher than its recoverable value, that asset is impaired and consequently written down to the recoverable value.

The recoverable value is determined with reference to the fair value of the asset, excluding disposal costs, or value in use, if calculable and higher than the fair value.

The fair value of property is mainly determined on the basis of appraisals by independent experts. The appraisal is updated whenever there is a change in the property market trend that could affect the validity of the previous estimates and, in any case, every three years. Impairment losses are recognized only when the fair value, net of sale costs, or the value in use of the asset is lower than its book value for three consecutive years.

For other property, plant and equipment items and intangible assets (other than goodwill), the Group determines the value in use as the present value of the estimated future cash flows using a discount rate before-taxes reflecting market data (the present value of money and asset-specific risks).

SEGMENT REPORTING METHOD

The Crédit Agricole Italia Banking Group presents segment reporting, as required by IFRS 8.

The sectors of economic activity covered by segment reporting are determined based on the Group's organizational and management structure.

The Group's business segments are:
- Retail/Private Banking (including the Financial Advisors channel and the Digital Business Unit);
- Corporate Banking (Large-corporate/Mid-corporate);
- Other/sundry.

For segment reporting purposes, management figures, appropriately reconciled with Financial Statement figures, have been used. The methods used for the impairment testing of goodwill are reported in point No. 13.3 – Assets.

A.3 Information on portfolio transfers

A.3.1 Transfers between portfolios

This case does not apply.

A.4 Fair value reporting

QUALITATIVE DISCLOSURES

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

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

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

- **Level 1:** Fair value equal to quoted prices (with no adjustments) in active markets. Level 1 includes financial instruments that are quoted on active markets.

  Specifically, these financial instruments are stocks and bonds quoted in active markets, investment schemes quoted in active markets (EFT) and derivatives traded in regulated markets.

  Markets are considered active if the quotations are easily and regularly available on the stock exchange, from brokers, intermediaries, price quotation services or regulatory agencies and these prices represent actual transactions that are regularly carried out in the market on an arm's length basis.
- **Level 2:** Fair value determined using measurement models that are universally acknowledged and based on observable or indirectly observable market inputs (for example determining the interest rate curve based on interest rates that are directly observable on the market at a given reference date).

  Level 2 includes:
  - Stocks and bonds that are quoted on markets considered inactive or that are not quoted on an active market, but whose fair value is determined using a universally acknowledged measurement model based on observable or indirectly observable inputs;
  - Financial instruments whose fair value is determined with measurement models using observable market inputs.
- **Level 3:** Financial instruments whose fair value is determined using, to a significant extent, inputs that do not meet the set observability requirements.

The fair value of some complex instruments that are not traded in active markets is determined with measurement techniques based on inputs that are not observable on the market.

They are mainly complex interest rate instruments, stock derivatives and structured loans, where the measured correlation or volatility inputs are not directly comparable to market inputs.

Credit Valuation Adjustment (CVA) 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 Master Agreement and provide for the deposit with the creditor of an amount equal to the mark-to-market value of the exposure as collateral.

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

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

In accordance with the model, the CVA calculation 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 Issuer Bank.

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

As at 31 December 2019, the CVA value for the Crédit Agricole Italia Banking Group, calculated in accordance with the method reported above, was Euro 10.030 million.

Similarly, as at 31 December 2019, the DVA value was Euro 0.480 million.

The difference between the CVA and DVA amounts as calculated (equal to Euro 9.55 million for the Group), net of the same component already recognized as at 31 December 2018 (equal to Euro 8.67 million), is a negative income component and, as such, has been recognized in the Income Statement.

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs used

Level 2: this level includes all financial instruments for which there is no active market, but whose measurement is based on observable market inputs. Therefore, universally acknowledged measurement models have been set, which refer to observable market inputs.

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

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

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

A.4.2 Measurement processes and sensitivity

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

IFRS 13 also requires, for recurring Level 3 measurements, a narrative description of the sensitivity of the fair value measurements to changes in unobservable inputs, if a change in those inputs might result in a significantly different fair value measurement, either higher or lower.

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 analysis was made on fair value sensitivity to changes in unobservable inputs, because 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.

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

A.4.3 Fair value hierarchy

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

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

A.4.4 Other information

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

QUANTITATIVE DISCLOSURES

A.4.5 Fair value hierarchy

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

Financial assets/liabilities measured at fair value	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss of which	93	72,592	52,325	89	65,111	59,956
a) financial assets held for trading;	93	72,592	24,715	89	65,111	32,225
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	27,610	-	-	27,731
2. Financial assets measured at fair value through other comprehensive income	2,838,133	202,000	28,111	3,025,930	201,999	32,817
3. Hedging derivatives	-	759,811	5	-	575,296	35
4. Property, Plant and Equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**2,838,226**	**1,034,403**	**80,441**	**3,026,019**	**842,406**	**92,808**
1. Financial liabilities held for trading	-	81,980	-	-	73,515	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	199,439	310,291	-	216,347	348,202
Total	**-**	**281,419**	**310,291**	**-**	**289,862**	**348,202**

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

The impact of applying CVA and DVA on the fair value measurement of derivatives held for trading and for hedging of the Crédit Agricole Italia Banking Group came to Euro 9.55 million.

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible Assets
	Total	Of which: a) financial assets held for trading	Of which: b) financial assets designated at fair value	Of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	**59,956**	**32,225**	**-**	**27,731**	**32,817**	**35**	**-**	**-**
2. Increases	**1,228**	**1,103**	**-**	**125**	**8,407**	**1**	**-**	**-**
2.1 Purchases	546	546	-	-	7,639	-	-	-
2.2 Profits	-	-	-	-	-	-	-	-
2.2.1 Income Statement	588	463	-	125	-	-	-	-
- of which: capital gains	324	219	-	105	-	-	-	-
2.2.2 Equity	-	X	X	X	768			
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	94	94	-	-	-	1	-	-
3. Decreases	**8,859**	**8,613**	**-**	**246**	**13,113**	**31**	**-**	**-**
3.1 Sales	1,830	1,738	-	92	1,249	-	-	-
3.2 Repayments	6,517	6,517	-	-	-	-	-	-
3.3 Losses	-	-	-	-	-	-	-	-
3.3.1 Income Statement	508	354	-	154	-	31	-	-
- of which: capital losses	508	354	-	154	-	31	-	-
3.3.2 Equity	-	X	X	X	11,668	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	4	4	-	-	196	-	-	-
4. Closing Balance	**52,325**	**24,715**	**-**	**27,610**	**28,111**	**5**	**-**	**-**

A.4.5.3 Changes for the year in liabilities measured at fair value on a recurring basis (level 3)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balance	-	-	**348,202**
2. Increases	-	-	**15,350**
2.1 Issues	-	-	-
2.2 Losses recognized in:	-	-	15,350
2.2.1 Income Statement	-	-	15,350
- of which Capital losses	-	-	15,350
2.2.2 Equity	X	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	-	-	**53,261**
3.1 Repayments	-	-	39,683
3.2 Repurchases	-	-	10,457
3.3 Profits recognized in:	-	-	3,121
3.3.1 Income Statement	-	-	3,121
- of which Capital gains	-	-	3,121
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing Balance	**-**	**-**	**310,291**

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

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2019				31.12.2018			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets measured at amortized cost	56,343,788	4,744,000	4,743,538	47,746,865	54,538,381	4,830,360	4,914,642	42,450,312
2. Investment property	133,512	-	-	148,096	81,273	-	-	113,399
3. Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**56,476,852**	**4,744,000**	**4,743,538**	**47,894,961**	**54,619,654**	**4,830,360**	**4,914,642**	**42,563,711**
1. Financial liabilities measured at amortized cost	56,003,022	-	55,455,814	719,010	54,188,823	-	53,200,179	763,487
2. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**56,003,022**	**-**	**55,455,814**	**719,010**	**54,188,823**	**-**	**53,200,179**	**763,487**

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

A.5 REPORTING ON "DAY ONE PROFIT/LOSS"

Paragraph 28 of IFRS 7 governs the specific situation where, in case of purchase of a financial instrument that is designated at fair value but not listed on an active market, the transaction price, which generally is equal to the fair value best estimate upon initial recognition, is different from the fair value determined based on the measurement techniques used by the entity.

In this case, a measurement profit/loss is realized upon acquisition, which shall be adequately reported by financial instrument class.

It is pointed out that this case does not apply to the Group Consolidated Financial Statements.

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 CASH AND CASH EQUIVALENTS: BREAKDOWN

	31.12.2019	31.12.2018
a) Cash	370,059	295,958
b) Demand deposits with Central Banks	-	-
Total	**370,059**	**295,958**

Section 2 – Financial assets measured at fair value through profit or loss – Item 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY TYPE

Items/Values	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
A. On-balance-sheet assets						
1. Debt securities	93	-	-	89	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	93	-	-	89	-	-
2. Equity securities	-	-	-	-	-	-
3. Units of O.I.C.R. collective investment undertakings	-	-	23,832	-	-	25,135
4. Loans	-	-	-	-	-	6,440
4.1 Repurchase agreements for lending purposes	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	6,440
Total A	**93**	**-**	**23,832**	**89**	**-**	**31,575**
B. Derivatives						
1. Financial Derivatives	-	72,592	883	-	65,111	650
1.1 held for trading	-	72,592	883	-	65,111	650
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit Derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**-**	**72,592**	**883**	**-**	**65,111**	**650**
Total (A+B)	**93**	**72,592**	**24,715**	**89**	**65,111**	**32,225**

Item 3 “Units of O.I.C.R collective investment undertakings” came to Euro 23,832 thousand and mainly reports the investments in the Asset Bancari III real estate fund as to Euro 15,308 thousand, in the Anthilia Bond Impresa Territorio fund as to Euro 2,657 thousand, in the Minibond PMI fund as to Euro 1,950 thousand and in the Toscana Venture FCC fund as to Euro 1,995 thousand.

2.2 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY BORROWER/ISSUER/COUNTERPARTY

Items/Values	31.12.2019	31.12.2018
A. On-balance-sheet assets		
1. Debt securities	93	89
a) Central Banks	-	-
b) Public administration bodies	92	88
c) Banks	1	1
d) Other financial companies	-	-
of which: insurance undertakings		
e) non-financial corporations	-	-
2. Equity securities	-	-
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance undertakings	-	-
c) non-financial corporations	-	-
c) Other issuers	-	-
3. Units of O.I.C.R. collective investment undertakings	**23,832**	**25,135**
4. Loans	**-**	**6,440**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	6,440
of which: insurance undertakings	-	6,440
e) non-financial corporations	-	-
f) Households	-	-
Total A	**23,925**	**31,664**
B. Derivatives		
a) Central counterparties	-	-
b) Other	73,475	65,761
Total B	**73,475**	**65,761**
Total (A+B)	**97,400**	**97,425**

The trading book consists mainly of Over-The-Counter derivatives for matched trading. The mismatch in the measurement of derivatives held for trading recognized in item “Financial liabilities held for trading” resulted from the CVA/DVA application in measuring fair value, as reported in section A.4 of Part A Accounting Policies.”

2.5 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY TYPE

Items/Values	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	-	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	-	-	27,610	-	-	27,731
3. Units of O.I.C.R. collective investment undertakings	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**27,610**	**-**	**-**	**27,731**

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

The “Other financial assets mandatorily measured at fair value reports the shares held in Fraer Leasing (Euro 5,211 thousand), Autovie Venete (Euro 9,524 thousand), Friulia (Euro 8,488 thousand) and Termomeccanica (Euro 4,115 thousand).

2.6 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY BORROWER/ISSUER

Items/Values	31.12.2019	31.12.2018
1. Equity securities	**27,610**	**27,731**
of which: banks	274	346
of which: other financial companies	5,211	5,224
of which: non-financial corporations	22,125	22,162
2. Debt securities	-	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
3. Units of O.I.C.R. collective investment undertakings	-	-
4. Loans	-	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
f) Households	-	-
Total	**27,610**	**27,731**

The “Other financial assets mandatorily measured at fair value” item reports also shares held in Fraer Leasing (Euro 5,211 thousand), Autovie Venete (Euro 9,524 thousand), Friulia (Euro 8,488 thousand) and Termomeccanica (Euro 4,115 thousand).

Section 3 – Financial assets measured at fair value through other comprehensive income – Item 30

3.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY TYPE

Items/Values	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Debt securities	2,821,006	-	-	3,013,042	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	2,821,006	-	-	3,013,042	-	-
2. Equity securities	17,127	202,000	28,111	12,888	201,999	32,817
3. Loans	-	-	-	-	-	-
Total	2,838,133	202,000	28,111	3,025,930	201,999	32,817

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

As at the reporting date, the exposure in debt securities totalled Euro 2,821 million and consisted almost fully of Italian government bonds.

Among equity securities at level 2, the Crédit Agricole Italia Banking Group holds 8,080 shares in the Bank of Italy, equal to 2.69% of its entire share capital. Their book value is Euro 202 million, calculating each share at a unit value of Euro 25,000. These shares resulted from the share capital increase that the Bank of Italy made in 2013 in accordance with Italian Decree Law no. 133 of 30 November 2013, converted with Italian Law no. 5 of 29 January 2014, which determined the issue of new shares for a value of Euro 25,000 each.

Equity securities at level 1 include the shares held in Unipol- Sai capital for an amount of Euro 16.9 million.

Equity securities at level 3 include the contribution to the Voluntary Scheme of the Italian Interbank Deposit Protection Fund amounting to Euro 6.4 million; among the other main interests worth specific mentioning are those in Cassa di Risparmio di Volterra amounting to Euro 3.8 million, Immobiliare Oasi nel Parco Srl amounting to Euro 3.1 million, Fidi Toscana S.p.A. Amounting to Euro 1.8 million, and in Crédit Agricole Group Infrastructure Platform amounting to Euro 3.5 million.

3.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY BORROWER/ISSUER

Items/Values	Total 31.12.2019	Total 31.12.2018
1. Debt securities	**2,821,006**	**3,013,042**
a) Central Banks	-	-
b) Public administration bodies	2,821,006	3,013,042
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) Financial companies	-	-
2. Equity securities	**247,238**	**247,704**
a) Banks	206,120	202,389
c) Other issuers:	41,118	45,315
- other financial companies	26,418	30,610
of which: insurance undertakings	16,887	12,887
- non-financial corporations	14,700	14,705
- other	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
f) Households	-	-
Total	**3,068,244**	**3,260,746**

Row 2.a) reports also the value of the shares in the Bank of Italy held, amounting to Euro 202 million.

3.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value				Total adjustments			Total/partial write-offs
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	2,824,436	2,824,436	-	-	-3,430	-	-	-
Loans	-	-	-	-	-	-	-	-
Total 31 Dec. 2019	**2,824,436**	**2,824,436**	**-**	**-**	**-3,430**	**-**	**-**	**-**
Total 31 Dec. 2018	**3,015,937**	**2,830,471**	**-**	**-**	**-2,895**	**-**	**-**	**-**
of which: POCI	X	X	-	-	X	-	-	-

* Value to be stated for disclosure purposes

Section 4 – Financial assets measured at amortized cost – Item 40

4.1 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF LOANS TO BANKS

Type of transactions/Values	31.12.2019						31.12.2018					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and stage 2	Stage 3	Of which: POCI	L1	L2	L3	Stage 1 and stage 2	Stage 3	Of which: POCI	L1	L2	L3
A. Claims on Central Banks	3,547,726	-	-	-	3,547,726	-	2,372,577	-	-	-	2,372,577	-
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Reserve requirement	3,538,693	-	-	X	X	X	2,366,266	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	9,033	-	-	X	X	X	6,311	-	-	X	X	X
B. Loans to Banks	1,192,406	3,463	-	-	1,195,812	-	1,164,522	-	-	-	1,164,522	-
1. Loans	1,192,406	3,463	-	-	1,195,812	-	1,164,522	-	-	-	1,164,522	-
1.1 Current accounts and deposits	217,417	-	-	X	X	X	272,946	-	-	X	X	X
1.2 Time deposits	479,859	-	-	X	X	X	488,523	-	-	X	X	X
1.3 Other loans:	495,130	3,463	-	X	X	X	403,053	-	-	X	X	X
- Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
- Other	495,130	3,463	-	X	X	X	403,053	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured Securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**4,740,132**	**3,463**	**-**	**-**	**4,743,538**	**-**	**3,537,099**	**-**	**-**	**-**	**3,537,099**	**-**

4.2 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF LOANS TO CUSTOMERS

Type of transactions/ Values	31.12.2019						31.12.2018					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and stage 2	Stage 3	Of which: POCI	L1	L2	L3	Stage 1 and stage 2	Stage 3	Of which: POCI	L1	L2	L3
Loans	45,039,792	1,646,614	-	-	-	47,577,136	44,265,520	1,750,204	-	-	1,377,463	42,450,201
1.1 Current accounts	2,431,718	362,957	-	X	X	X	2,739,740	388,223	-	X	X	X
1.2 Repurchase agreements for lending purposes	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Mortgage loans	28,838,102	1,003,201	-	X	X	X	28,110,213	1,034,526	-	X	X	X
1.4 Credit cards, personal loans and loans repaid by automatic deductions from salaries/pensions	189,432	5,590	-	X	X	X	230,239	5,996	-	X	X	X
1.5. Lease loans	1,737,033	128,897	-	X	X	X	1,675,157	132,245	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7 Other loans	11,843,507	145,969	-	X	X	X	11,510,171	189,214	-	X	X	X
Debt securities	4,913,787	-	-	4,744,000	-	169,729	4,985,558	-	-	4,830,360	79	111
2.1 Structured Securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	4,913,787	-	-	4,744,000	-	169,729	4,985,558	-	-	4,830,360	79	111
Total	**49,953,579**	**1,646,614**	**-**	**4,744,000**	**-**	**47,746,865**	**49,251,078**	**1,750,204**	**-**	**4,830,360**	**1,377,542**	**42,450,312**

As regards the values in stage 1 and stage 2, the most significant sub-items are reported below:

- Sub-item "3. Mortgage loans" also reports credit claims pooled to secure the issues of Covered Bonds for Euro 9.7 billion, as well as asset-backed securities for Euro 2.3 billion;
- Item "2.2 Other debt securities" reports almost exclusively Italian Government securities.

4.3 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY BORROWER/ISSUER OF LOANS TO CUSTOMERS

Type of transactions/Values	31.12.2019			31.12.2018		
	Stage 1 and stage 2	Stage 3	Of which: POCI	Stage 1 and stage 2	Stage 3	Of which: POCI
1. Debt securities	4,913,787	-	-	4,985,558	-	-
a) Public administration bodies	4,744,059	-	-	4,812,505	-	-
b) Other financial companies	149,730	-	-	152,982	-	-
Of which: insurance undertakings	149,703	-	-	152,903	-	-
c) non-financial corporations	19,998	-	-	20,071	-	-
2. Loans to:	45,039,792	1,646,614	-	44,265,520	1,750,204	-
a) Public administration bodies	300,400	6	-	299,807	3	-
b) Other financial companies	5,535,482	18,300	-	5,925,498	13,976	-
Of which: insurance undertakings	99,728	3	-	93,772	2	-
c) non-financial corporations	15,840,016	1,220,697	-	15,729,985	1,343,405	-
d) Households	23,363,894	407,611	-	22,310,230	392,820	-
Total	**49,953,579**	**1,646,614**	**-**	**49,251,078**	**1,750,204**	**-**

4.4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value				Total adjustments			Total/partial write-offs (*)
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	4,919,636	4,919,636	-	-	-5,849	-	-	-
Loans	47,244,848	-	2,774,820	3,477,690	-80,256	-159,488	-1,827,613	30,184
Total 31 Dec. 2019	**52,164,484**	**4,919,636**	**2,774,820**	**3,477,690**	**-86,105**	**-159,488**	**-1,827,613**	**30,184**
Total 31 Dec. 2018	**47,662,237**	**3,900,873**	**3,037,056**	**3,681,414**	**-87,987**	**-195,706**	**-1,931,211**	**27,265**
of which: POCI	X	X	-	-	X	-	-	-

(*) Value to be stated for disclosure purposes

Section 5 – Hedging derivatives – Item 50

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

	Fair value 31.12.2019			NV 31.12.2019	Fair value 31.12.2018			NV 31.12.2018
	L1	L2	L3		L1	L2	L3	
A. Financial Derivatives	-	759,811	5	20,646,226	-	575,296	35	18,647,844
1) Fair value	-	759,811	5	20,646,226	-	575,296	35	18,647,844
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**759,811**	**5**	**20,646,226**	**-**	**575,296**	**35**	**18,647,844**

Key: NV = Notional Value L1 = Level 1 L2 = Level 2 L3 = Level 3

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

Transactions/Type of hedge	Fair value							Cash flows		Investments in foreign operations
	Micro-hedging						Macro-hedging	Micro-hedging	Macro-hedging	
	Debt securities and interest rates	Equity securities and equity indices	Currencies and gold	Credit risk	Commodities	Other				
1. Financial assets measured at fair value through other comprehensive income	697	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortized cost	28,091	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**28,788**	-	-	-	-	-	-	-	-	-
1. Financial liabilities	731,028	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	731,028	-	-	-	-	-	-	-	-	
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

The “Hedging Derivatives” item referring to financial assets measured at amortized cost came to Euro 23,575 thousand and reports mortgage loans hedging, specifically the hedged component is the part regarding interest rate risk only. Hedging uses IRO traded in order to hedge the risk that a variable-rate mortgage loan contract, once having reached its cap, becomes a fixed-rate item, with subsequent increase in the Bank's financial leverage.

The "Hedging derivatives" item referring to financial liabilities consists of Euro 264,419 thousand for hedging of own bonds issued and of Euro 379,615 thousand hedging demand deposits, specifically the hedged component is the part regarding interest rate risk only. Hedging uses IRS in which the fixed-rate leg equalizes the debenture loan rate and the variable-rate leg is determined as the Euribor (1, 3 or 6 months) +/- spread. For demand deposits hedging, a "dummy" bond-equivalent is simulated to identify the hedged item from the modeling of the hedged financial statement item.

Section 6 – Fair value change of financial assets in macro-hedge portfolios – Item 60

6.1 FAIR VALUE CHANGE OF HEDGED ASSETS BREAKDOWN BY HEDGED PORTFOLIO

Adjustments of hedged assets/Values	31.12.2019	31.12.2018
1. Positive fair value change	**119,967**	**40,224**
1.1 of specific portfolios:	119,967	40,224
a) financial assets measured at amortized cost	119,967	40,224
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
2. Negative fair value change	**-238**	**-71**
2.1 of specific portfolios:	-238	-71
a) financial assets measured at amortized cost	-238	-71
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	-	-
Total	**119,729**	**40,153**

The hedged items are mortgage loans with cap option. Hedging uses IRO traded in order to hedge the risk that a floating-rate mortgage loan contract, once having reached its cap, becomes a fixed-rate item, with subsequent increase in the Bank's financial leverage

Section 7 – Equity investments – Item 70

7.1 EQUITY INVESTMENTS: DISCLOSURE ON EQUITY INVESTMENTS IN OTHER ENTITIES

Name	Registered Office	Operating HQ	Type of control (1)	Equity investment		% of votes available
				Investor	% held	
A. Joint arrangements	-	-	-	-	-	-
B. Investees subject to significant influence						
1. Fiere di Parma S.p.A.	Parma, Italy	Parma, Italy	4	Crédit Agricole Italy	32.42%	32.42%
2. Le Village by CA Milano S.r.l.	Milan, Italy	Milan, Italy	4	Crédit Agricole Italy	38.91%	38.91%

(1) Type of relationship:
1= Majority of the voting rights in the General Meeting of Shareholders
2= dominant influence in the General Meeting of Shareholders
3= agreements with other Shareholders
4 = Investee subject to significant influence
5= unitary management pursuant to Article 26, paragraph 1, of Italian Legislative Decree No. 87/92
6= unitary management pursuant to Article 26, paragraph 2, of Italian Legislative Decree No. 87/92
7= joint control
8= other type of control/shareholding

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

Name	Book value	Fair value	Dividends received
A. Joint arrangements			
B. Investees subject to significant influence			
1. Fiere di Parma S.p.A.	20,483	-	-
2. Le Village by CA Milano S.r.l.	156	-	-
Total	**20,639**	**-**	**-**

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

The investees listed in the table above did not distribute dividends in 2019.

7.3 SIGNIFICANT EQUITY INVESTMENTS: FINANCIAL INFORMATION

Name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Adjustment Adjustments and writebacks of Property, plant and equipment and intangible assets and intangible assets	Profit (Loss) before tax from continuing operations	Profit (Loss) after tax from continuing operations	Profit (loss) after taxes from discontinuing operations	Profit (Loss) for the period (1)	Other comprehensive income after tax (2)	Comprehensive income (3) 1 – 2
A. Joint arrangements														
not present														
B. Investees subject to significant influence														
1. Fiere di Parma S.p.A.	X	12,766	67,063	25,472	11,368	41,447	X	X	3,112	2,219	-	2,219	-	2,219
2. Le Village by CA Milano S.r.l.	X	388	5,252	631	5,035	1,923	X	X	- 204	- 204	-	- 204	-	- 204

The financial data regarding Le Village by CA Milano S.r.l. have been taken from its income statement and balance sheet as at 31 December 2019, whereas the financial data regarding Fiere di Parma S.p.A. have been taken from the approved financial statements as at 31 December 2018.

7.4 NON-SIGNIFICANT EQUITY INVESTMENTS: FINANCIAL INFORMATION

The Financial Statements as at 31 December 2019 do not report any non-significant equity investments.

7.5 EQUITY INVESTMENTS: CHANGES FOR THE YEAR

	Total 31.12.2019	Total 31.12.2018
A. Opening balance	**27,755**	**33,868**
B. Increases	**-**	**166**
B.1 Purchases	-	156
B.2 Recoveries/writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	10
C. Decreases	**-7,272**	**-6,279**
C.1 Sales	-	-2,870
C.2 Value adjustments	-	-3,100
C.3 Writedowns	-156	-
C.4 Other changes	-7,116	-309
D. Closing balance	**20,483**	**22,755**
E. Total recoveries/writebacks	**-**	**-**
F. Total adjustments/writedowns	**-**	**-**

The decreases include the writedown of the equity investment in Le Village by CA Milano (Euro 156 thousand) subsequent to its measurement with the equity method. The other changes regard the reclassification of the equity investment in Cassa di Risparmio di Volterra to the “Financial assets measured at fair value through other comprehensive income” item (Euro 7,116 thousand).

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

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

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

Investees are considered subject to significant influence (associates) when the Group holds at least 20% of the voting rights (including “potential” voting rights) or, even though holding a lower percentage of the voting rights, it has the power to participate in determining the investee’s financial and management policies based on specific legal ties, such as being a party to shareholder agreements providing for vote pooling.

Significant influence is not ascribed to interests equal to or higher than 20%, in which the Company holds only equity rights to a portion of the return on the investments, does not have a say in the investee’s management policies and can exercise governance rights only to the extent required to protect its equity investment.

7.7 COVENANTS ON INVESTMENTS IN JOINT-ARRANGEMENTS

As at 31 December 2019, there were no joint arrangements and, therefore, no covenants referring to the same.

7.8 COVENANTS ON INVESTMENTS IN ENTITIES UNDER SIGNIFICANT INFLUENCE

As at 31 December 2019, there were no covenants regarding entities under to significant influence

7.9 DISCLOSURE OF SIGNIFICANT RESTRICTIONS

As at 31 December 2019, there were no significant restrictions pursuant to IFRS 12, paragraphs 13 and 22 a).

Section 9 – Property, plant and equipment – Item 90

9.1 OPERATING PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN OF ASSETS REVALUED AT COST

Assets/Values	Total 31.12.2019	Total 31.12.2018
1. Owned	**697,333**	**749,349**
a) land	197,820	206,949
b) buildings	406,324	441,580
c) furniture	18,497	21,055
d) electronic plants	5,721	5,622
e) other	68,971	74,143
2. Rights of use acquired with leases	**179,280**	**2,004**
a) land	172	172
b) buildings	176,914	1,832
c) furniture	-	-
d) electronic plants	-	-
e) other	2,194	-
Total	**876,613**	**751,353**
of which: obtained through the enforcement of guarantees received	-	-

The table reports Euro 179,280 thousand worth of leased property, plant and equipment and recognized subsequent to the first-time adoption, on 1 January 2019, of IFRS 16, which, as exhaustively described in Part A – Accounting Policies, requires recognition under assets in the balance sheet of the right of use transferred to the lessee.

The balance reports also the value of the rights of use regarding leases that had already been recognized under property, plant and equipment as at 31 December 2018 in accordance with IAS 17.

9.2 INVESTMENT PROPERTY: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	Total 31.12.2019				Total 31.12.2018			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned	**127,638**	-	-	**142,670**	**81,273**	-	-	**113,398**
a) land	47,294	-	-	50,399	33,599	-	-	39,718
b) buildings	80,344	-	-	92,271	47,674	-	-	73,680
2. Rights of use acquired with leases	**5,874**	-	-	**5,426**	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	5,874	-	-	5,426	-	-	-	-
Total	**133,512**	-	-	**148,096**	**81,273**	-	-	**113,398**
of which: obtained through the enforcement of guarantees received	31,870	-	-	38,297	23,104	-	-	30,010

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

The table reports Euro 5,874 thousand worth of leased property, plant and equipment and recognized subsequent to the first-time adoption, on 1 January 2019, of IFRS 16, which, as exhaustively described in Part A – Accounting Policies, requires recognition under assets in the balance sheet of the right of use transferred to the lessee

The assets obtained through the enforcement of received guarantees consisted of buildings with the related plots of land, which were previously granted under finance leases, were returned to the Group subsequent to the termination of the related contracts and for which no credit claim remains towards the contractual obligors.

9.5 INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT GOVERNED BY IAS 2; BREAKDOWN

Assets/Values	Total 31.12.2019	Total 31.12.2018
1. Inventories of assets obtained through the enforcement of guarantees received	-	-
a) land	-	-
b) buildings	1,959	-
c) furniture	-	-
d) electronic plants	-	-
e) other	-	-
2. Other inventories of property, plant and equipment	**5,765**	**15,164**
Total	**7,724**	**15,164**
of which: measured at fair value net of sale costs	7,724	7,138

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

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Opening gross balance	**207,121**	**738,942**	**126,620**	**77,054**	**288,565**	**1,438,302**
A.1 Total net impairment writedowns	-	295,530	105,565	71,432	214,422	686,949
A.2 Opening net balance	207,121	443,412	21,055	5,622	74,143	751,353
B. Increases	**22**	**214,402**	**2,250**	**3,517**	**13,514**	**233,705**
B.1 Purchases	-	208,332	2,250	3,517	13,431	227,530
B.2 Capitalized improvement expenses	-	5,949	-	-	-	5,949
B.3 Recoveries/writebacks	-	-	-	-	-	-
B.4 Fair value gains recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other changes	22	121	-	-	83	226
C. Decreases	**9,151**	**74,576**	**4,808**	**3,418**	**16,492**	**108,445**
C.1 Sales	-	165	132	1	4,626	4,924
C.2 Depreciation	-	50,129	4,525	3,417	11,536	69,607
C.3 Impairment losses recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
C.4 Fair value losses recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to	9,151	22,491	-	-	-	31,642
a) Investment property	9,151	22,491	X	X	X	31,642
b) Non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	1,791	151	-	330	2,272
D. Closing net balance	**197,992**	**583,238**	**18,497**	**5,721**	**71,165**	**876,613**
D.1 Total net impairment writedowns	-	328,044	110,092	74,698	225,979	738,813
D.2 Closing gross balance	197,992	911,282	128,589	80,419	297,144	1,615,426
E. Measurement at cost	-	-	-	-	-	-

Item “C.6 Transfers to: a) investment property” reports the reclassification from operating property to investment property, subsequent to the rationalization of the physical network started by the Group.

All the asset classes in the table have been measured at cost.

9.6 BIS CHANGES FOR THE PERIOD IN PROPERTY PLANT AND EQUIPMENT RECOGNIZED APPLYING IFRS 16

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Opening gross balance	**172**	**1,871**	-	-	-	**2,043**
A.1 Total net impairment writedowns		39	-	-	-	39
A.2 Opening net balance	172	1,832	-	-	-	2,004
B. Increases:	-	**208,452**	-	-	**3,114**	**211,566**
B.1 Purchases	-	208,452	-	-	3,114	211,566
B.2 Capitalized improvement expenses						-
B.3 Recoveries/Writebacks						-
B.4 Fair value gains recognized through:	-	-	-	-	-	-
a) Equity						-
b) Profit or loss						-
B.5 Positive foreign exchange differences						-
B.6 Transfers from investment property						-
B.7 Other changes						-
C. Decreases:	-	**-33,370**	-	-	**-920**	**-34,290**
C.1 Sales	-		-	-	-	-
C.2 Depreciation	-	-31,549	-	-	-879	-32,428
C.3 Impairment losses recognized through:	-	-	-	-	-	-
a) Equity						-
b) Income Statement						-
C.4 Fair value losses recognized in:	-	-	-	-	-	-
a) Equity						-
b) Profit or loss						-
C.5 Negative foreign exchange differences						-
C.6 Transfers to:	-	-	-	-	-	-
a) Investment property						-
b) Discontinuing operations						-
C.7 Other changes		-1,821	-	-	-41	-1,862
D. Closing net balance	**172**	**176,914**	-	-	**2,194**	**179,280**
D.1 Total net impairment writedowns		-33,666	-	-	-879	-34,545
D.2 Closing gross balance	172	210,580	-	-	3,073	213,825
E. Measurement at cost						

9.7 INVESTMENT PROPERTY: CHANGES FOR THE YEAR

	Total 31.12.2019	
	Land	Buildings
A. Opening balance	**33,599**	**47,674**
B. Increases	**13,935**	**45,256**
B.1 Purchases	-	8,916
B.2 Capitalized improvement expenses	3	14
B.3 Fair value gains	-	-
B.4 Writebacks	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfers from operating assets	9,151	22,491
B.7 Other changes	4,781	13,835
C. Decreases	**240**	**6,712**
C.1 Sales	240	1,267
C.2 Depreciation	-	4,607
C.3 Fair Value losses	-	-
C.4 impairment losses	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfers to:	-	-
a) operating assets	-	-
b) Non-current assets held for sale and discontinued operations	-	-
C.7 Other changes	-	838
D. Closing balance	**47,294**	**86,218**
E. Measurement at fair value	**50,399**	**97,697**

All the asset classes in the table have been measured at cost.

9.7 BIS CHANGES FOR THE PERIOD IN PROPERTY PLANT AND EQUIPMENT RECOGNIZED APPLYING IFRS 16

CAI	Total	
	Land	Buildings
A. Opening balance	-	-
B. Increases	-	**8,917**
B.1 Purchases	-	8,917
B.2 Capitalized improvement expenses	-	
B.3 Fair value gains		
B.4 Writebacks		
B.5 Positive foreign exchange differences		
B.6 Transfers from operating assets		
B.7 Other changes		
C. Decreases	-	**-3,042**
C.1 Sales	-	
C.2 Depreciation	-	-2,204
C.3 Fair Value losses		
C.4 impairment losses		
C.5 Negative foreign exchange differences		
C.6 Transfers to other assets portfolios	-	-
a) operating assets		
b) non-current assets held for sale/discontinuing operations		
C.7 Other changes	-	-838
D. Closing balance	**-**	**5,875**

9.8 INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT GOVERNED BY IAS 2: CHANGES FOR THE YEAR

	Inventories of property, plant and equipment from recoveries of non-performing loans					Other inventories of property, plant and equipment	Total
	Land	Buildings	Furniture	Electronic equipment	Other		
A. Opening balance	-	-	-	-	-	15,164	15,164
B. Increases	-	-	-	-	-	166	2,125
B.1 Purchases	-	1,959	-	-	-	-	1,959
B.2 Recoveries/writebacks	-	-	-	-	-	-	-
B.3 Positive foreign exchange differences	-	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	166	166
C. Decreases	-	-	-	-	-	-9,565	-9,565
C.1 Sales	-	-	-	-	-	-87	-87
C.2 impairment writedowns	-	-	-	-	-	-	-
C.3 Negative foreign exchange differences	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	-9,478	-9,478
D. Closing balance	-	1,959	-	-	-	5,765	7,724

9.9 COMMITMENTS FOR PURCHASES OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2019, there were no commitments for purchases of property, plant and equipment.

Section 10 – Intangible assets – Item 100

10.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

Assets/Values	Total 31.12.2019		Total 31.12.2018	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	1,575,536	X	1,575,536
A.1.1 Group	X	1,575,536	X	1,575,536
A.1.2 Minority interests	X	-	X	-
A.2 Other intangible assets	337,070	-	360,661	-
A.2.1 Assets measured at cost:	337,070	-	360,661	-
a) Internally generated intangible assets	7,478	-	9,151	-
b) Other assets	329,592	-	351,510	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**337,070**	**1,575,536**	**360,661**	**1,575,536**

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

Intangible assets representing business with customers have been assigned a finite useful life, based on the time series available on the rate of customer turnover in the retail segment, of 15 years as regards the transactions finalized in 2007 and 2011 and of 13 years for the transactions finalized in 2017.

10.2 INTANGIBLE ASSETS: CHANGES FOR THE YEAR

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. Opening balance	**1,575,536**	**21,626**	**-**	**971,474**	**-**	**2,568,636**
A.1 Total net impairment writedowns	-	-12,475	-	-619,964	-	-632,439
A.2 Opening net balance	1,575,536	9,151	-	351,510	-	1,936,197
B. Increases	**-**	**1,267**	**-**	**66,253**	**-**	**67,520**
B.1 Purchases	-	-	-	66,253	-	66,253
B.2 Increases in internal intangible assets	X	1,267	-	-	-	1,267
B.3 Recoveries/writebacks	X	-	-	-	-	-
B.4 Fair value gains	-	-	-	-	-	-
- through Equity (OCI)	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-2,940**	**-**	**-88,171**	**-**	**-91,111**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-2,940	-	-87,909	-	-90,849
- Amortization	X	-2,940	-	-87,909	-	-90,849
- Writedowns:	-	-	-	-	-	-
+ though Equity	X	-	-	-	-	-
+ Through profit or loss	-	-	-	-	-	-
C.3 Fair Value losses:	-	-	-	-	-	-
- through Equity (OCI)	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-262	-	-262
D. Closing net balance	**1,575,536**	**7,478**	**-**	**329,592**	**-**	**1,912,606**
D.1 Total net value adjustments	-	15,415	-	701,735	-	717,150
E. Closing gross balance	**1,575,536**	**22,893**	**-**	**1,031,327**	**-**	**2,629,756**
F. Measurement at cost	**-**	**-**	**-**	**1,769**	**-**	**1,769**
* of which for business combinations:						
- gross value	-	-	-	-	-	-
- provision for accumulated amortization	-	-	-	-	-	-

10.3 INTANGIBLE ASSETS: OTHER INFORMATION

Impairment testing of intangible assets with finite useful life

At the end of 2019 it was verified that the value of each of the elements making up the intangible assets recognized within the scope of the transactions made in 2007, which was calculated as the present value of future cash flows, was still higher than the recognized value and specifically:

- For the component relating to loans to Customers, the present value was calculated taking into account the rate of early repayment of mortgage loans between March 2008 and September 2019, the cost of credit (the 009-2019 average) and the long-term taxation level;
- For the component relating to demand deposits, a progressive increase in volumes (and therefore of their stable component) was observed from the time of purchase;
- For the component relating to net fee and commission income, the present value of fee and commission income was recalculated taking account of the expected level of fee and commission income from “banking services”.

The analysis had a favourable outcome.

Therefore, the overall value of these intangible assets was found to be higher than the value recognized as at 31 December 2019 amounting to

- Crédit Agricole FriulAdria: Euro 13,265 thousand;
- 180 Crédit Agricole Italia branches purchased in 2007: Euro 26,786 thousand;
- 29 Crédit Agricole FriulAdria branches purchased in 2007: Euro 2,452 thousand.

The total value amounts to Euro 42,503 thousand.

At the end of 2019 it was verified that the value of each of the elements making up the intangible assets recognized within the scope of the transactions made in 2011, which was calculated as the present value of future cash flows, was still higher than the recognized value and specifically:

- For the component relating to demand deposits, volumes were essentially in line with the date of purchase and they were measured taking into account the introduction of the Multiple ITR System;
- With regard to Net Fee and Commission Income, the changes in Wealth Management fee and commission income for Assets under Administration and Assets under Management for the 2011-2017 period and for 2019 (budget), as well as the relevant perspective forecasts to 2026 (year when amortization will end) were analyzed.

Therefore, the overall value of these intangible assets, which were recognized within the scope of the transactions made in 2011, was found to be higher than the value recognized as at 31 December 2018 amounting to:

- Crédit Agricole Carispezia: Euro 12,307 thousand;
- 81 Crédit Agricole Italia branches purchased in 2011: Euro 35,958 thousand;
- 15 Crédit Agricole FriulAdria branches purchased in 2011: Euro 7,153 thousand.

The total value amounts to Euro 55,418 thousand.

At the end of 2019, the value of each one of the components of the intangible assets recognized within the transactions finalized in 2017 was verified. Based on the evidence found on changes in intangible assets as recognized, no elements have been found suggesting that the value in use of the finite useful life intangible asset representing the value assigned to business with customers resulting from the acquisition of Cassa di Risparmio Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato may be lower than its book value as at 31 December 2019 equal to Euro 70,231 thousand.

Impairment testing of goodwill

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

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

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

For the calculation of future cash flows, starting from the 2019 expected performance, a model has been used, which consists of two stages:

- For the first stage (2020-2024), the following forecasts have been used: the 2020 Budget and, for 2021-2024, medium- and long-term financial forecasts;
- The second stage considers the Terminal Value: the cash flow after taxes for the last year was, therefore, projected into perpetuity using a long-term growth rate "g" (2.00%). This rate is consistent with the industry measurement practices.

Allocated own funds have been measured based on a 9.75% rate of RWA, in line with Crédit Agricole SA.

The cash flows (after taxes) thus determined have then been discounted at a rate (ke) calculated based on the Capital Asset Pricing Model (i.e. based on a risk-free rate plus the product of the beta coefficient multiplied by the risk premium), totalling 9.20% (vs. 9.67% used for the impairment test for the 2018 Annual Report and Financial Statements).

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

The components of the discount rate ke and the relating comparison with the input parameters used in 2017 are reported below:

	2019	2018
Remuneration of capital (ke)	**9.20%**	**9.67%**
- of which risk-free rate	3.16%	3.43%
- of which Beta	1.2	1.2
- of which risk premium	5.05%	5.20%

With Beta returns being equal, the risk-free rate – calculated as the long-term average return on ten-year Italian Treasury Bonds (Italian acronym; BTP) – decreased, mainly subsequent to the gradual decrease in the average yield of government securities; the risk premium, which was calculated as the 10-year average of the risk premium in the Italian stock exchange, also decreased.

For all CGUs (Retail/Private Banking and Mid-Corporate/Large-Corporate) the calculation produced a value in use higher than their respective book values.

Furthermore, sensitivity to changes in the used input parameters was also analyzed. Specifically, the sensitivity analysis was developed calculating the threshold levels of each parameter exceeding which impairment writedowns would be required.

The analysis results show that, as regards risk premium, the book value is equal to the value in use at a level well above the one used for the test (6.20% for the Retail/Private Banking CGU, 6.06 for the Mid-Corp/Large-Corp CGU); the same result was found for the risk-free rate (4.54% for the Retail/Private Banking CGU, 4.38% for the Mid-Corp/Large-Corp CGU) and to the beta parameter (1.47 for the Retail/Private Banking CGU, 1.44 for the Mid-Corp/Large-Corp CGU).

Lastly, it was verified at which discounting rate or at which long-term growth rate "g" the value in use becomes equal to the book value. This analysis showed that the book value is equal to the value in use only with a marked increase in the discounting rate ke (10.6% for the Retail/Private Banking CGU and 10.4% for the Mid-Corporate/Large-Corporate CGU). Finally, should the long-term growth rate "g" be set to zero, the value in use would remain higher than the book value for both CGUs.

Section 11 – Tax Assets and Tax Liabilities – Item 110 of Assets and Item 60 of Liabilities

11.1 DEFERRED TAX ASSETS: BREAKDOWN

	31.12.2019	31.12.2018
14.1 Gross deferred tax assets	**1,200,021**	**1,325,938**
A1. Loans and receivables (including asset-backed securities)	357,885	359,227
A2. Other financial instruments	1,998	34,999
A3. Goodwill	336,323	336,178
A4. Long-term liabilities	-	-
A5. Property, plant and equipment	2,075	4,465
A6. Provisions for risks and charges	70,865	86,144
A7. Entertainment expenses	-	-
A8. Personnel expenses	-	-
A9. Tax losses	156,622	211,693
A10. Unused tax receivables to be deducted	-	-
A11. Other	274,253	293,232
B. Offset against deferred tax liabilities	-	-
C. Net deferred tax assets:	**1,200,021**	**1,325,938**

As regards the recognition of DTAs, especially those relating to tax losses, the probability test was carried out and confirmed their full recoverability For this verification, the profits or losses for tax purposes have been simulated, first of all for the next few financial years, starting from the estimates of the assumed profit or losses for those financial years, and, to this end, considering, in addition to permanent increases and decreases that can be estimated, also the releases of temporary differences, both positive and negative, which are expected to be released in that period. The calculation includes also the impacts generated by the 2020 Italian Budget Law (Law no. 160 of 27 December 2019). Based on this calculation, in addition to the recovery of the aforementioned temporary differences, the DTA regarding tax losses will be able to be recovered reasonably over five years Possible scenarios of more severe stress have also been assumed, to a reasonable extent, in which some decreases in profits or higher recoveries of temporary difference assets than deemed likely have also been taken into account, thus finding evidence of their recoverability. It may also be useful to point out that the main portion of recognized DTAs consists of so-called convertible DTAs, shown in the table below on deferred tax assets pursuant to Italian Law 214/2011, i.e. DTAs whose recoverability does not depend on future profit, as they may be converted into true receivables from the Italian Inland Revenue Agency in case of statutory or tax losses. As regards IRES DTAs, it is to be pointed out that the companies of the Crdit Agricole Italia Group are members of a tax consolidation scheme pursuant to Article 117 et seq. of Italian Presidential Decree 917/86, which consists also of other resident entities that are controlled, directly or indirectly, by Crdit Agricole S.A. The tax profit expected for the next few financial year of the tax consolidation scheme is markedly higher than the same figure of the entities belonging to the Banking Group, which is further evidence of the recoverability of the most part of the IRES DTAs recognized.

11.2 DEFERRED TAX LIABILITIES: BREAKDOWN

	31.12.2019	31.12.2018
A. Gross deferred tax liabilities:	**90,392**	**108,982**
A1. Capital gains spreading	3,465	5,316
A2. Goodwill	-	-
A3. Property, plant and equipment	4,820	5,059
A4. Financial Instruments	-	-
A5. Personnel expenses	-	-
A6. Other	82,107	98,607
B. Offset against deferred tax assets	-	-
C. Net deferred tax liabilities	**90,392**	**108,982**

11.3 CHANGES IN DEFERRED TAX ASSETS (THROUGH PROFIT OR LOSS)

	Total 31.12.2019	Total 31.12.2018
1. Opening balance	**1,264,361**	**1,132,205**
2. Increases	**41,661**	**287,358**
2.1 Deferred tax assets recognized in the year	18,925	178,719
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) writebacks	-	-
d) other	18,925	178,719
2.2 New taxes or increases in tax rates	8	86
2.3 Other increases	22,728	108,553
3. Decreases	**135,302**	**155,202**
3.1 Deferred tax assets derecognized in the year	99,803	88,346
a) reversals	99,803	88,346
b) writedowns for supervening non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	25	-
3.3 Other decreases	35,474	66,856
a) conversion into tax credits pursuant to L. 214/2011	-	38,634
b) other	35,474	28,222
4. Closing balance	**1,170,720**	**1,264,361**

The “Other increases” and “Other decreases” under points 2.3 and 3.3 essentially report the increases or decreases resulting from more accurate recognition of deferred tax assets after the Bank filed its income tax return. The related balancing item is not represented by income statement items, but by current tax liabilities. It is also pointed out that, subsequent to the merger of the three Fellini Banks, loss DTA non-convertible into tax credits were recognized, as per the absorbed entities’ financial statements, amounting to Euro 156.6 million as at 31 December 2019.

11.4 CHANGES IN DEFERRED TAX ASSETS PURSUANT TO ITALIAN LAW 214/2011

	Total 31.12.2019	Total 31.12.2018
1. Opening balance	**684,818**	**723,252**
2. Increases	**22,362**	**203**
3. Decreases	**16**	**38,637**
3.1 Reversals	4	-
3.2 Conversion into tax credits	-	38,634
a) from losses for the year	-	37,227
b) from tax losses	-	1,407
3.3 Other decreases	12	3
4. Closing balance	**707,164**	**684,818**

Deferred tax assets pursuant to Italian Law 214/2011 were also recognized in equity for an amount of Euro 2,390 thousand.

Therefore, total deferred tax assets that can be converted into tax credits pursuant to Italian Law 214/2011 came to Euro 709,554 thousand.

11.5 CHANGES IN DEFERRED TAX LIABILITIES (THROUGH PROFIT OR LOSS)

	Total 31.12.2019	Total 31.12.2018
1. Opening balance	**107,836**	**71,821**
2. Increases	**958**	**47,233**
2.1 Deferred tax liabilities recognized in the year	194	6,129
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	194	6,129
2.2 New taxes or increases in tax rates	-	7
2.3 Other increases	764	41,097
3. Decreases	**26,318**	**11,218**
3.1 Deferred tax liabilities derecognized in the year	8,009	7,702
a) reversals	8,009	7,702
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	2	-
3.3 Other decreases	18,307	3,516
4. Closing balance	**82,476**	**107,836**

11.6 CHANGES IN DEFERRED TAX ASSETS (THROUGH EQUITY)

	Total 31.12.2019	Total 31.12.2018
1. Opening balance	**61,578**	**20,008**
2. Increases	**999**	**44,014**
2.1 Deferred tax assets recognized in the year	-	42,351
a) referring to previous years	-	-
b) due to change in accounting policies	-	6,859
c) other	-	35,493
2.2 New taxes or increases in tax rates	-	1
2.3 Other increases	999	1,661
3. Decreases	**33,276**	**2,444**
3.1 Deferred tax assets derecognized in the year	33,002	924
a) reversals	33,002	924
b) writedowns for supervening non-recoverability	-	-
b) due to change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	274	1,520
4. Closing balance	**29,301**	**61,577**

11.7 CHANGES IN DEFERRED TAX LIABILITIES (THROUGH EQUITY/OCI)

	Total 31.12.2019	Total 31.12.2018
1. Opening balance	**1,146**	**16,155**
2. Increases	**9,348**	**23**
2.1 Deferred tax liabilities recognized in the year	417	-
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	417	-
2.2 New taxes or increases in tax rates	-	3
2.3 Other increases	8,931	20
3. Decreases	**2,578**	**15,032**
3.1 Deferred tax liabilities derecognized in the year	2,498	4,305
a) reversals	2,498	4,305
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	80	10,727
4. Closing balance	**7,916**	**1,146**

Section 13 – Other assets – Item 130

13.1 OTHER ASSETS: BREAKDOWN

	31.12.2019	31.12.2018
Sundry debits in process	85,207	48,236
Revenue stamps and other instruments	3	5
Items being processed	107,801	105,638
Accrued income not allocated to other items	9,184	4,971
Prepaid expenses not allocated to other items	6,707	8,608
Protested bills and cheques	4,792	2,931
Leasehold improvements	13,085	17,491
Tax advances paid on behalf of third parties	46,158	57,383
Sundry	139,492	217,770
Total	**412,429**	**463,033**

LIABILITIES

Section 1 – Financial liabilities measured at amortized cost – Item 10

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE TO BANKS

Type of transactions/Values	Total 31.12.2019				Total 31.12.2018			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**4,147,987**	**X**	**X**	**X**	**4,400,000**	**X**	**X**	**X**
2. Due to banks	**1,957,272**	**X**	**X**	**X**	**1,629,653**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	572,588	X	X	X	324,541	X	X	X
2.2 Time deposits	84,202	X	X	X	99,494	X	X	X
2.3 Loans	1,287,287	X	X	X	1,184,472	X	X	X
2.3.1 Repurchase agreements for funding purposes	-	X	X	X	-	X	X	X
2.3.2 Other	1,287,287	X	X	X	1,184,472	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	1,357	X	X	X	-	X	X	X
2.6 Other due and payables	11,838	X	X	X	21,146	X	X	X
Total	**6,105,259**	**-**	**6,105,259**	**-**	**6,029,653**	**-**	**6,029,653**	**-**

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

As at 31 December 2019, the "Due to central banks" item reported targeted long term refinancing operations (TLTRO II) with the European Central Bank. These operations provide credit institutions of the Eurosystem with financing having multiyear maturities intended to improve the functioning of the monetary policy transmission mechanism, to support lending by banks to the real economy."

1.2 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE TO CUSTOMERS

Type of transactions/Values	Total 31.12.2019				Total 31.12.2018			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	**40,307,243**	**X**	**X**	**X**	**39,298,072**	**X**	**X**	**X**
2. Time deposits	**15,296**	**X**	**X**	**X**	**165,598**	**X**	**X**	**X**
3. Loans	4,803	X	X	X	13,662	X	X	X
3.1 Repurchase agreements for funding purposes	-	X	X	X	-	X	X	X
3.2 Other	4,803	X	X	X	13,662	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	**-**	**X**	**X**	**X**	**-**	**X**	**X**	**X**
5. Lease liabilities	**187,499**	**X**	**X**	**X**	**-**	**X**	**X**	**X**
6. Other due and payables	**280,332**	**X**	**X**	**X**	**221,581**	**X**	**X**	**X**
Total	**40,795,173**	**-**	**40,779,464**	**15,712**	**39,698,913**	**-**	**9,162,294**	**30,536,619**

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

1.3 FINANCIAL LIABILITIES AT AMORTIZED COST: BREAKDOWN BY TYPE OF SECURITIES ISSUED

Type of securities/values	Total 31.12.2019				Total 31.12.2018			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	8,399,290	-	8,571,093	-	7,659,084	-	7,496,921	-
1.1 Structured	-	-	-	-	9,625	-	9,597	-
1.2 other	8,399,290	-	8,571,093	-	7,649,459	-	7,487,324	-
2. Other securities	703,300	-	-	703,298	801,173	-	-	801,173
2.1 Structured	-	-	-	-	-	-	-	-
2.2 other	703,300	-	-	703,298	801,173	-	-	801,173
Total	**9,102,590**	**-**	**8,571,093**	**703,298**	**8,460,257**	**-**	**7,496,921**	**801,173**

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

Item "1. Bonds" consists of Euro 696,541 thousand worth of debenture loans, of Euro 7,262,629 thousand worth of covered bonds and Euro 440,120 thousand worth of senior non-preferred bonds.

Item "2. Other securities" consists of Euro 133,484 thousand worth of cashier's cheques and of Euro 569,816 thousand worth of certificates of deposit.

1.4 BREAKDOWN OF SUBORDINATED LIABILITIES/SECURITIES

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in the rep. currency	Book value
Subordinated deposit	28.06.2017	28.06.2027	at maturity	3-M Euribor + 219 bp	euro	250,000	250,012
Subordinated deposit	11.12.2017	11.12.2027	at maturity	3-M Euribor + 162 bp	euro	400,000	400,273
Subordinated deposit	14.12.2018	14.12.2028	at maturity	3M Euribor + 571 bp	euro	100,000	100,221
Subordinated deposit	02.08.2019	02.08.2029	at maturity	3-M Euribor + 213 bp	euro	80,000	80,220
Lower Tier II	28.03.2019	28.03.2029	in one payment at maturity	3.8% fixed-rate	euro	30,000	30,000
Lower Tier II	31.03.2010	31.03.2020	in one payment at maturity	4% fixed-rate	euro	12,902	13,101
Lower Tier II	31.05.2010	30.11.2023	in one payment at maturity	3.75% fixed-rate	euro	4,050	4,483
Lower Tier II	20.09.2010	20.09.2022	in one payment at maturity	4.25% fixed-rate	euro	8,875	9,511
Lower Tier II	16.12.2013	16.12.2020	in one payment at maturity	3.20% fixed-rate	euro	25,000	25,834
Lower Tier II	18.11.2014	18.11.2021	in one payment at maturity	3% fixed-rate	euro	30,000	31,266
Lower Tier II	25.03.2015	25.03.2021	in one payment at maturity	2.50% fixed-rate	euro	55,000	56,832
Lower Tier II	12.01.2015	12.01.2020	in one payment at maturity	eurib6m	euro	9,998	10,120
Lower Tier II	25.03.2015	25.03.2020	in one payment at maturity	+485bps	euro	10,000	10,161
Lower Tier II	20.04.2015	20.04.2021	in one payment at maturity	2.75% fixed-rate	euro	14,250	14,761
Lower Tier II	31.03.2015	31.03.2021	in 5 annual instalments of the same amount as of 24 Feb. 2016	6M Euribor +300bps	euro	6,000	6,190
Lower Tier II	24.02.2014	24.02.2020	in 5 annual instalments of the same amount as of 10 April 2016	3% fixed-rate	euro	4,220	1,418
Lower tier II	10.10.2014	10.04.2020	in 5 rate annue uguali a partire dal 10/04/2016	2.60% fixed-rate	euro	1,526	512

Total subordinated deposits came to Euro 860,726 thousand, whereas total Lower tier II instruments came to Euro 184,189 thousand.

1.5 BREAKDOWN OF STRUCTURED LIABILITIES

As at 31 December 2019, there were no structured liabilities.

1.6 LEASE LIABILITIES

As regards reporting on lease liabilities, maturities and cash flows are broken down and commented in the Note to the financial statements – Part M.

Section 2 – Financial liabilities held for trading – Item 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN BY TYPE

Type of transactions/Values	Total 31.12.2019					Total 31.12.2018				
	NV	Fair Value			FV *	NV	Fair Value			FV *
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to Customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-		-	-	-	-	-
3.1 Bonds	-	-	-	-		-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-		-	-	-	-	
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivatives										
1. Financial Derivatives		-	81,980	-			-	73,515	-	
1.1 Held for trading	X	-	81,980	-	X	X	-	73,473	-	X
1.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	42	-	X
2. Credit Derivatives		-	-	-			-	-	-	
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**81,980**	**-**	**X**	**X**	**-**	**73,515**	**-**	**X**
Total (A+B)	**-**	**-**	**81,980**	**-**	**-**	**-**	**-**	**73,515**	**-**	**X**

Key:
NV = nominal value or notional value.
L1 = Level 1
L2= Level 2
L3= Level 3
Fair Value* = fair value calculated excluding changes in value resulting from an alteration in the issuer's credit rating after the date of issue.

2.2 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": SUBORDINATED LIABILITIES

At the end of 2019, there were no subordinated liabilities held for trading.

2.3 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": STRUCTURED LIABILITIES

At the end of 2019, there were no structured liabilities held for trading.

Section 4 – Hedging derivatives – Item 40

4.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF HEDGE AND BY HIERARCHY LEVEL

	NV 31.12.2019	Fair value 31.12.2019			NV 31.12.2018	Fair value 31.12.2018		
		L1	L2	L3		L1	L2	L3
A. Financial Derivatives	**6,540,350**	**-**	**199,439**	**310,291**	**8,596,910**	**-**	**216,347**	**348,202**
1) Fair value	6,540,350	-	199,439	310,291	8,596,910	-	216,347	348,202
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**6,540,350**	**-**	**199,439**	**310,291**	**8,596,910**	**-**	**216,347**	**348,202**

Key:
NV = notional value.
L1 = Level 1
L2= Level 2
L3= Level 3

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

Transactions/Type of hedge	Fair value							Cash flows		Investments in foreign operations
	Micro-hedging						Macro-hedging	Micro-hedging	Macro-hedging	
	Debt securities and interest rates	Equity securities and equity indices	Currencies and gold	Credit risk	Commodities	Other				
1. Financial assets at fair value through other comprehensive	292,576	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortized cost	197,669	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**490,245**	-	-	-	-	-	-	-	-	-
1. Financial liabilities	19,485	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**19,485**	-	-	-	-	-	-	-	-	-
1. Expected transactions	X	X	X	X		X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X		X	-	X	-	-

The "Hedging Derivatives" item referring to financial assets measured at amortized cost consisted of Euro 5,173 thousand for hedging mortgage loans and Euro 192,497 thousand for hedging securities measured at amortized cost.

The "Hedging Derivatives" item referring to financial liabilities consisted of Euro 409 thousand for hedging own bonds issued and Euro 19,076 thousand for hedging deposits.

Section 5 – Fair value change of financial liabilities in macro-hedge portfolios – Item 50

5.1 FAIR VALUE CHANGE OF HEDGED FINANCIAL LIABILITIES

Fair value change of hedged liabilities /Group components	Total 31.12.2019	Total 31.12.2018
1. Increase in fair value of hedged financial liabilities	439,186	370,840
2. Decrease in fair value of hedged financial liabilities	-18,013	-8,878
Total	**421,173**	**361,962**

The part of demand deposits that is considered stable by the internal model adopted by the Group is hedged.

Section 6 – Tax Liabilities – Item 60

Please, see Section 11 – Assets.

Section 8 – Other liabilities – Item 80

8.1 OTHER LIABILITIES: BREAKDOWN

	31.12.2019	31.12.2018
Trade payables	283,791	254,949
Amounts due to third parties	257,987	334,704
Credit transfers ordered and being processed	38,875	40,362
Amounts payable to tax authorities on behalf of third parties	92,627	82,304
Advances on loans to mature	243	378
Adjustments for illiquid items	287,915	296,430
Personnel expenses	85,125	77,017
Uncapitalized accrued expenses	10,809	8,358
Deferred income not allocated to other items	22,376	30,314
Sundry	237,137	268,050
Total	**1,316,885**	**1,392,866**

Section 9 – Employee severance benefits – Item 90

9.1 EMPLOYEE SEVERANCE BENEFITS: CHANGES FOR THE YEAR

	31.12.2019	31.12.2018
A. Opening balance	**135,722**	**146,378**
B. Increases	**3,759**	**3,755**
B.1 Provision for the period	918	1,328
B.2. Other changes	2,841	2,427
C. Decreases	15,587	19,163
C.1 Severance payments	14,561	18,878
C.2 Other changes	1,026	285
D. Closing balance	**123,894**	**135,722**
Total	**123,894**	**135,722**

9.2 OTHER INFORMATION

Information on the characteristics of defined-benefit plans and risks associated with them (IAS 19, paragraph 139)

Employee Severance Benefits

Pursuant to the Italian legislation, at the date of termination of his/her employment contract with a company, each employee is entitled to a severance package called "Trattamento di Fine Rapporto" (Employee Severance Benefits or with the Italian acronym TFR) equal to the sum of the Severance Benefits accrued for each year of work for the employer.

The benefit accrued each year is equal to 6.91% of the gross annual Pay. This rate is calculated by dividing the ordinary pay by 13.5; to the resulting amount a deduction is made of 0.5%, which is paid directly to the Italian National Social Security Institute (INPS) as a pension contribution.

Moreover, as at 31 December of each year, the Provision for Employees' Severance Benefits is subject to revaluation applying a fixed-rate of 1.5% plus 75% of the increase in the consumer price index for blue-collar and white-collar households for the year.

The revalued amount as calculated above is taxed at a 17% rate, as provided for by the Italian 2015 Stability Law (Italian Law No. 190 of 23 December 2014).

Pursuant to the applicable legislation, employees may ask for advances on their Severance Benefits accrued when the employment relation is still going on. This advance may be obtained only once during the employment relation, after at least 8 years on staff and up to 70% of the Employee Severance Benefits accrued as at the date of request.

With the entry into force of Italian 2007 Finance Act, concerning also the Reform of Supplementary Pension Schemes, the measurement of Employee Severance Benefits, in accordance with IAS 19 Revised, shall take account of the impacts of this Act, as well as of the guidelines for their calculation, which were issued by the Italian National Association of Actuaries and by the Organismo Italiano di Contabilità (the Italian National Accounting Body).

Specifically, for the Companies of the Crédit Agricole Italia Banking Group, which have more than 50 employees, effective from 31 December 2006, the employee severance benefits accrued have been paid to external Supplementary Pension Schemes or to the State Treasury Fund managed by the Italian National Social Security Institute (INPS).

In the light of the above new legislation, the Companies' obligation refers to the employee severance benefits accrued before 1 January 2007 (and not yet paid out as at the reporting date) which increase on a yearly basis by the revaluation rate applied to the existing amounts only.

0.5% supplement to employee severance benefits

For the employees of Crédit Agricole Italia, who were formerly employees of the Intesa San Paolo Group (hereinafter referred to as "formerly Intesa") and were already on staff on 31 December 1990, upon employment termination, an amount supplementing their severance benefits is granted, amounting to the 0.5% contribution paid to the Italian National Social Security Institute (INPS) by the workers.

Such supplementary amount accrues on a monthly basis and is revalued in accordance with the ISTAT (the Italian National Institute of Statistics) index for the revaluation of employee severance benefits.

Additional 2.75% revaluation of employee severance benefits

For the employees of Crédit Agricole Italia and Crédit Agricole Group Solutions, who used to be employees of the Intesa San Paolo Group (hereinafter former Intesa), in case of employment termination, a supplementary amount is granted, which is calculated by applying an additional fixed revaluation equal to 2.75% to the employee severance benefits accrued since 1992, on a yearly basis. This amount is then revalued, on a yearly basis, according to the reference ISTAT (the Italian National Institute of Statistics) index.

Changes for the year in the defined-benefit plan net liabilities (assets) and in rights to repayment (IAS 19, paragraphs 140 and 141)

The statement of reconciliation for 2019 of the present value of the plan obligation for the Crédit Agricole Italia Banking Group is given below:

Actuarial value of the obligation as at 1 Jan. 2019		135,722
a	Service cost	42
b	Interest cost	876
c	Transfer in/out	-39
d.1	Actuarial gains/losses from changes in financial assumptions	2,745
d.2	Actuarial gains/losses from changes in demographic assumptions	-183
d.3	Actuarial gains/losses from experience	-708
and	Payments provided for by the Plan	-14,561
Actuarial value of the obligation as at 31 Dec. 2019		**123,894**

Disclosure of the fair value of the plan assets (IAS 19, paragraphs 142 and 143)

This point does not apply because no assets covering Employee Severance Benefits have been provided for.

Description of the main actuarial assumptions (IAS 19, paragraph 144)

In order to be able to make the required measurement, appropriate demographic and economic assumptions must be used on:

- Mortality;
- Invalidity;
- Termination (resignation or dismissal);
- Requests for advances;
- The workers' future economic career (including the assumptions on promotion to higher positions);
- Performance of the actual purchasing power of money.

Specifically, the following assumptions were used:

a) DEMOGRAPHIC TECHNICAL BASES:

a.1 Annual probability of exclusion due to death of employees on staff were calculated based on IPS55;

a.2 Annual probabilities of exclusion due to causes other than death of employees on staff were calculated based on appropriate smoothing of historical data of the Group and, therefore, an annual frequency of turnover of 3.50% was used;

a.3 The annual probability of request for advances on the accrued severance benefits was calculated based on the Group's experience and was assumed as equal to an average annual rate of 3.00%;

a.4 Retirement is assumed upon meeting the first requirement to qualify for pension.

b) ECONOMIC TECHNICAL BASES:

b.1 To calculate the Present Value of the various plans, in compliance with the instructions given by the Parent Company Crédit Agricole SA, the IBOXX AA rates used are given below:

- Provision for Employees' severance benefits: 0.27% (IBOXX duration 5-7 years);
- Pension fund 1: 0.27% (IBOXX duration 5-7 years);
- Post-employment fund 2: 0.56% (IBOXX duration 7-10 years);

b.2 The cost of living index for white-collar and blue-collar households, required for the revaluation of the employee severance benefits amounts allocated to provision, was assumed at 1.75%, as per the instructions given by the Parent Company Crédit Agricole S.A.;

b.3 The pay line, as a function of seniority, increasing by automatic pay increases only, was calculated, on average, with reference to the Company's employees, based on the interpolation and smoothing of the distribution of pays by seniority and on the national and company collective bargaining agreements;

b.4 For the average annual rate of increase in pay for changes in the minimum wage, a 1.75% rate was used;

b.5 Percentage of accrued employee severance benefits requested as advances: 60%. This percentage was inferred based on the Group historical data.

Disclosure of amount, timing and uncertainty of cash flows (IAS 19, paragraphs 145, 146 and 147)

The results of the sensitivity analyses for each one of the main assumptions reported in the previous point are given below:

Discount rate

Actuarial value of the obligation as at 31 Dec. 2019		
Central assumption	+50 bps	-50 bps
123,894	119,817	126,559

Inflation rate

Actuarial value of the obligation as at 31 Dec. 2019		
Central assumption	+50 bps	-50 bps
123,894	126,546	121,381

Turnover rate

Actuarial value of the obligation as at 31 Dec. 2019		
Central assumption	+100 bps	-100 bps
123,894	123,051	124,802

Multi-employer plans (IAS 19, paragraph 148)

This point does not apply because the provision for employee severance benefits is not a Multi-employer plan.

Defined-benefit plans that share risks between various entities under common control (IAS 19, paragraphs 149 and 150).

This point does not apply because the provision for employee severance benefits is not a plan that shares risks between various entities under common control.

Section 10 – Provisions for risks and charges – Item 100

10.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

Items/Values	Total 31.12.2019	Total 31.12.2018
1. Provisions for credit risk on commitments and financial guarantees given	33,656	37,254
2. Provisions for other commitments and guarantees given	-	-
3. Company pension plans	37,325	38,273
4. Other provisions for risks and charges	264,535	313,085
4.1 legal and tax-related disputes	64,936	73,439
4.2 personnel expenses	118,105	143,179
4.3 other	81,494	96,467
Total	**335,516**	**388,612**

10.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES FOR THE YEAR

	Provisions for other commitments and guarantees given	Pension plans	Other provisions for risks and charges	Total
A. Opening balance	-	**38,273**	**313,085**	**351,358**
B. Increases	-	**2,823**	**47,147**	**49,970**
B.1 Provision for the period	-	-	46,865	46,865
B.2 Changes due to passage of time	-	390	282	672
B.3 Changes due to alterations in the discount rate	-	-	-	-
B.4 Other changes	-	2,433	-	2,433
C. Decreases	-	**3,771**	**95,697**	**99,468**
C.1 Use in the year	-	3,771	90,865	94,636
C.2 Changes due to alterations in the discount rate	-	-	2,323	2,323
C.3 Other changes	-	-	2,509	2,509
D. Closing balance	**-**	**37,325**	**264,535**	**301,860**

10.3 PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

	Provisions for credit risk on commitments and financial guarantees given			
	Stage 1	Stage 2	Stage 3	Total
Commitments to disburse funds	2,283	4,140	154	6,577
Financial guarantees given	3,099	3,098	20,882	27,079
Total	**5,382**	**7,238**	**21,036**	**33,656**

10.4 PROVISIONS FOR OTHER COMMITMENTS AND GUARANTEES GIVEN

As at 31 December 2018, there were no provisions for other commitments and guarantees given.

10.5 COMPANY DEFINED-BENEFIT PENSION PLANS

Information on the characteristics of defined-benefit plans and risks associated with them

Through its Defined-Benefit Pension Plans, the Group provides pension schemes that are supplementary or complementary to the pensions paid by INPS (Italian National Social Security Institute) on whatsoever ground, in compliance with the specific Regulations of the Pension Funds.

As at today's date, in accordance with the above Regulations, the employees on staff are not entitled to the benefits provided by the Pension Funds.

The plan is funded by a provision accrued by the Company, determined based on the mathematical reserve, certified annually by an independent actuary.

These benefits may consist in a pension assigned directly to the person concerned, in a pension assigned indirectly to the surviving family of the person concerned dying either before or after retirement.

As at 31 December 2019, 545 people were the beneficiaries of the Pension Plans (257 women and 288 men).

Changes for the year in defined-benefit net liabilities (assets) and in rights to repayment from the plan

The statement of reconciliation for 2019 is given below:

Actuarial value of the obligation as at 1 Jan. 2019		38,273
a	Service cost	-
b	Interest cost	390
c	Transfer in/out	745
d.1	Actuarial gains/losses from changes in financial assumptions	1,262
d.2	Actuarial gains/losses from changes in demographic assumptions	-
d.3	Actuarial gains/losses from demographic experience	426
and	Payments provided for by the Plan	-3,771
Actuarial value of the obligation as at 31 Dec. 2019		**37,325**

The value of the mathematical reserve is equal to the amount that the Management should have as at the measurement date, based on the assumptions used, in order to meet all the commitments undertaken towards the participants in the plan.

Disclosure of the fair value of the plan assets

This point does not apply because no assets covering the various Plans under examination have been provided for.

Description of the main actuarial assumptions

In order to be able to make the required measurement, appropriate demographic and economic assumptions must be used on:

- Mortality;
- Probability to have a family;
- Performance of the actual purchasing power of money.

The main economic and demographic assumptions used for the plan measurement are given below:

- Annual probability of exclusion due to death of employees not on staff were calculated based on IPS55;

- For assignment to the surviving family in case of the pensioner's death, differentiated technical bases were used according to the age and gender of the member;
- The cost of living index for white-collar and blue-collar households, required for smoothing the annual pension instalments, was assumed at 1.75%, in accordance with the instructions given by the Parent Company Crédit Agricole SA;
- The annual increase in the plan benefits is governed by the relevant regulation, and, therefore, by the applicable regulations in force for INPS (Italian National Social Security Institute) pensions (automatic smoothing pursuant to paragraph 1, Article 34 of Italian Law No. 448/1998, as amended by paragraph 1, Article 69 of Italian Law No. 388/2000);
- To calculate the Present Value, in compliance with the instructions issued by the Parent Company Crédit Agricole SA, the rate used was IBOXX AA (duration 7-10 years) of 0.56%.

Disclosure of amount, timing and uncertainty of future cash flows

The results of the sensitivity analyses for each one of the main assumptions reported in the previous point are given below:

Discount rate

Actuarial value of the obligation as at 31 Dec. 2019		
Central assumption	+50 bps	-50 bps
37,325	35,898	38,863

Mortality rate

Actuarial value of the obligation as at 31 Dec. 2019		
Central assumption	+20 bps	-20 bps
37,325	34,110	41,520

Multi-employer plans

This point does not apply because no one of the plans is a Multi-employer plan.

Defined-benefit plans that share risks between various entities under common control

This point does not apply because no one of the plans under examination is a plan that shares risks between various entities under common control.

10.6 PROVISIONS FOR RISKS AND CHARGES – OTHER PROVISIONS

Sub-item 4.2 "Other provisions – personnel expenses" of Table 10.1 also reports the provisions allocated in 2019 and the remaining portion of those allocated in 2018 and 2016 by Crédit Agricole Italia, for the liabilities resulting from the Trade Union agreement that gave the possibility to interested employees, who are already eligible for pension or will become eligible in the next few years, to voluntarily terminate their employment receiving incentives.

Some years ago, a dispute was started on registration taxes with the Agenzia delle Entrate, the Italian Inland Revenue Service. The Agenzia delle Entrate has reclassified the transfers of branches from Intesa Sanpaolo to Crédit Agricole Italia and Crédit Agricole FriulAdria carried out in 2007 and the subsequent transfer of the received equity investments to the institutional Shareholders of the two Banks as sales of business units. Based on this reclassification, the total amount jointly due by the parties involved on various grounds in the specific transactions would be approximately Euro 35.8 million and Euro 4.08 million, respectively, plus interest. On this dispute, favourable decisions were issued by the competent Courts of second instance, against which the Agenzia delle Entrate filed appeal with the Italian Court of Cassation.

In 2014, a dispute started, again on registration taxes and based on the same grounds, regarding a similar transaction carried out in 2011, once again with the Intesa Sanpaolo Group. This dispute entails a request to pay taxes, on the three transfers made, for approximately Euro 1.5 million, Euro 2.2 million and Euro 9.9 million respectively, plus interest. The competent Courts of first and second instance issued favourable decisions also on these disputes, against which the Agenzia delle Entrate filed appeal with the Italian Court of Cassation.
Again in regard to such transaction, in March 2016 other verification notices were served concerning the recalculation of the business unit value for a total of Euro 2.1 million, which were appealed against.
While believing that its conduct has always been fair and lawful, merely for risk mitigation purposes, the Crédit Agricole Group assessed the expediency of exercising the option provided for by Italian Decree Law 119/2018, so-called tax amnesty measures, including the possibility to settle some tax disputes by paying lower taxes and no penalties and interest.

In agreement with all the parties involved, in May 2019, the expediency of exercising that option was decided for the above-listed disputes, except for the dispute regarding one of the 2011 transfers, lodging the specific petitions for settlement and paying the relevant amounts. For the settlement of those disputes, subsequent to the reached agreements, the cost incurred by Crédit Agricole Italia was Euro 0.2 million. Having lodged the aforementioned petitions, unless they are rejected, which seems quite unlikely, those disputes can be deemed finally closed.
The only disputes still pending are those concerning a 2011 transfer, entailing a tax amount of Euro 11.7 million, plus interest. It was decided not to exercise the tax amnesty option for these disputes, because the due refunds of the taxes paid while the dispute was pending had not yet been received within the set terms. Indeed, in accordance with the relevant Decree Law, exercising the tax amnesty option would have entailed a cost that would have also included the loss of the right to refund; therefore, an amount that would have been by far too high vs. the assessed risk. For this dispute, Crédit Agricole Italia has a provision of approximately Euro 1.15 million.
A dispute started in 2014 subsequent to non-payment to Crédit Agricole Italia of part of the specific tax account receivable provided for by Italian Decree-Law 185/2008 for the amounts credited by it to Customers relating to the State contribution on floating-rate mortgage loans that were taken out by 31 October 2008.
With the aforementioned Decree Law, the Italian State provided a contribution to taxpayers that took out floating-rate mortgage loans for the purchase of their home amounting to the interest paid by the same taxpayers in 2009 at a rate over 4%. This amount was to be credited directly by the lending banks that would recover it through a tax credit.
The Italian Inland Revenue Service has refused to acknowledge the portion of this tax account receivable relating to amounts actually credited to Customers in 2010 and issued the relevant tax payment form.
Consequently, Crédit Agricole Italia had to pay an amount of Euro 1.3 million and started a specific dispute.
However, the first-instance judgement has confirmed the claim of the Agenzia delle Entrate as to the tax amount, while it overruled the penalty claim. Continuing such dispute was deemed appropriate, based on the valid arguments put forward, and, at the end of July 2016, an appeal was filed with the competent Court of second instance, against which the Agenzia delle Entrate submitted its counter-arguments

Subsequent to the merger of the Banks acquired at the end of 2017, as well as of Crédit Agricole Carispezia, which was merged in the summer of 2019, Crédit Agricole Italia took over all the legal rights and obligations of the merged entities and, therefore, also those regarding tax disputes.

In December 2018, Crédit Agricole Italia was served 3 verification notices regarding the 2013- -2014 and 2015 fiscal years concerning the merged bank Cassa di Risparmio di San Miniato Spa, whereby the Agenzia delle Entrate, following a tax audit, has claimed that certain income components were not duly taxed, as regards the Italian Regional Tax on Productive Activities (IRAP), for a total of approximately Euro 0.6 million. In May 2019, Crédit Agricole Italia decided to settle the verification notices served before 24 October 2018 exercising the option for the tax amnesty measures and, thus, paying the claimed taxes only, with no penalties and no interest, for a total of Euro 0.292 million and filing the additional tax returns for the three tax years. The cost was fully covered with the specific provision.

Finally, it is reported that some disputes concerning registration tax on legal deeds are pending, for a total amount of Euro 0.37 million, regarding the absorbed Cassa di Risparmio di Rimini. For quite a few of these disputes the related proceedings before the competent Court of first instance have not yet started, whereas for the others litigation is underway. The Group believes that it has solid arguments against the claim made by the Agenzia delle Entrate and, therefore, no provision for this matter has been allocated.

Having regard to the disputes formerly involving Crédit Agricole Carispezia, which was absorbed in July 2019, it is reported that a dispute is still pending on the Italian Regional Tax on Productive Activities (IRAP) taxable base for the 2013 fiscal year, for an amount of tax, penalties and interest claimed totalling Euro 0,177 million. As regards this claim, in July 2019, the competent Tax Commission of first instance issued its ruling in favour of the Bank.

A claim of the same type was lodged in October 2019 regarding also the 2014 tax year for which Crédit Agricole Italia, in in its capacity as the surviving entity after the merger by absorption, was served a verification notice claiming tax, penalties and interest for a total of Euro 0.236 million, which was appealed against.

As solid arguments proving the lawfulness of the Bank's doings, which were upheld also by the favourable first instance ruling, this claim has not been provisioned for.

In October 2017, Crédit Agricole FriulAdria was served a verification notice concerning the 2012 tax year and claiming the ineligibility of some expenses for the defence of employees within criminal proceedings. The claimed amount is approximately Euro 0.03 million. Even though the amount is modest, considering the strength of its arguments and the importance of the principle that it wants to assert, the Banca decided to file appeal and won; the Agenzia delle Entrate challenged the favourable appeal ruling with the competent Court of second instance. The decision of the Court of second instance has not yet been issued.

In the first half of 2018, Crédit Agricole Leasing was subject to a general tax audit, which ended with the service of a Report of Verification (PVC) whereby the Agenzia delle Entrate challenged VAT application on certain boat leases, for the 2013 and 2014 fiscal years. In October 2018, as regards the 2013 fiscal year, a verification notice was served claiming a total amount of approximately Euro 0.350 million, reasserting the arguments set forth in the report of verification; specifically, the Agency denied the non-applicability of VAT to leases of boats (for boats intended to be used on the high-seas) due to the alleged lack of documentation giving evidence that the requirement of navigation on the high seas was met. The Company filed appeal and the first instance decision, which was issued in 2019, cancelled the penalties but confirmed the tax due. The Company has decided to continue the dispute.
In June 2019, a similar verification notice was served concerning the 2014 tax year claiming a total amount of Euro 0.670 million, against which the Company filed appeal. The decision of the Court of first instance has not yet been issued. For these claims the Company has allocated Euro 0.150 million to provision, also considering the possible claims lodged against customers.
The Company has a set of pending disputes about town property taxes (in a capacity as taxpayer) for property lease contracts that were terminated without the property being returned to the Company. As it is certain of its solid position, the Company has not provisioned for these disputes.
Finally, in the reporting year, Crédit Agricole Leasing settled many disputes with the Lombardy Regional Government regarding road taxes. Only one claim regarding 2016 is still pending, but for a modest amount.

Section 13 – Group Shareholders' Equity – Items 120, 130, 140, 150, 160, 170 and 180

13.1 SHARE CAPITAL AND TREASURY SHARES: BREAKDOWN

The Parent Company's share capital, fully paid in as at 31 December 2019, consists of 979,233,295 ordinary shares.

No treasury shares were held as at the reporting date.

13.2 SHARE CAPITAL – NUMBER OF SHARES: CHANGES FOR THE YEAR

Items/Types	Ordinary	Other
A. Shares – opening balance	**962,672,153**	**-**
- fully paid in	962,672,153	-
- partially paid in	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	962,672,153	-
B. Increases	**16,561,142**	**-**
B.1 New issues	16,561,142	-
- for a consideration:	16,561,142	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	21,411	-
- other	16,539,731	-
- free of charge:	-	-
- to Employees	-	-
- to Directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of businesses	-	-
C.4 Changes for the year	-	-
D. Outstanding shares: closing balance	**979,233,295**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares – closing balance	979,233,295	-
- fully paid in	979,233,295	-
- partially paid in	-	-

For more exhaustive reporting on these increases, please refer to Part A of the Note to the Financial Statements "Section 3" – "4. Other information".

13.3 CAPITAL: OTHER INFORMATION

The unit nominal value of the 979,233,295 ordinary shares is Euro 1.

13.4 RETAINED EARNINGS RESERVES: OTHER INFORMATION

Items/Types Amounts	31.12.2019
Legal reserve	188,421
Reserves provided for by the Articles of Association	1,057,932
Reserve pursuant to Art. 13 of It. Leg. D. 124/93 (*)	314
Other reserves	147,685
Total	**1,394,352**
Reserve from share-based payments (**)	3,637
Other reserves	- 18,136
Total reserves	**1,379,853**

(*) Reserve pursuant to Art.13 of Italian Legislative Decree No. 124/39 to take advantage of tax relief on the portions of Employee severance benefits to be used for supplementary pension schemes.

(**) Reserve recognizing the increase in equity resulting from payments based on shares of the controlling company Crédit Agricole SA. made to Employees and Directors

13.5 EQUITY INSTRUMENTS: BREAKDOWN AND CHANGES FOR THE YEAR

The "Equity instruments" item reports the issues of Additional Tier 1 instruments and did not undergo any change in the period.

Section 14 – Non-controlling interests – Item 190

14.1 BREAKDOWN OF ITEM 190 "NON-CONTROLLING INTERESTS"

Company name	31.12.2019	31.12.2018
Equity investments in consolidated companies with significant minority interests		
1. Crédit Agricole FriulAdria S.p.A.	125,625	125,297
2. Crédit Agricole Leasing S.r.l.	14,986	14,004
3. Crédit Agricole Group Solutions S.c.p.A.	385	385
4. Le Village by CA Parma S.r.l.	400	–
5. Agricola Le Cicogne S.r.l.	1,846	1,872
6. Crédit Agricole Carispezia S.p.A.	–	43,924
Other equity investments	14	14
Total	**143,256**	**185,496**

14.2 EQUITY INSTRUMENTS: BREAKDOWN AND CHANGES FOR THE YEAR

Crédit Agricole Italia S.p.A. only issued equity instruments. There were no other equity instruments issued by companies within the consolidation scope.

OTHER INFORMATION

1. Commitments and financial guarantees given

	Notional value on commitments and financial guarantees given			Total 31.12.2019	Total 31.12.2018
	Stage 1	Stage 2	Stage 3		
Commitments to disburse funds	**1,305,182**	**31,383**	**58,681**	**1,395,246**	**1,218,940**
a) Central Banks	-	-	-	-	-
b) Public administration bodies	10,744	-	-	10,744	9,590
c) Banks	10,203	-	-	10,203	12,651
d) Other financial companies	197,913	129	1,621	199,663	168,697
e) non-financial corporations	964,952	15,681	54,612	1,035,245	882,857
f) Households	121,370	15,573	2,448	139,391	145,145
Financial guarantees given	**2,402,534**	**81,947**	**67,485**	**2,551,966**	**2,326,881**
a) Central Banks	-	-	-	-	-
b) Public administration bodies	6,703	62	10	6,775	6,920
c) Banks	542,774	1,815	6,241	550,830	362,689
d) Other financial companies	69,453	13,474	212	83,139	54,613
e) non-financial corporations	1,682,285	54,973	60,464	1,797,722	1,785,152
f) Households	101,319	11,623	558	113,500	117,507

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount 31.12.2019	Amount 31.12.2018
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	165,246	161,250
3. Financial assets measured at amortized cost	10,260,989	7,379,302
4. Property, Plant and Equipment	-	-
- of which: property, plant and equipment inventories	-	-

5. Management and intermediation services

Type of services	Amount
1. Trading on behalf of customers	-
a) purchases	-
1. settled	-
2. not yet settled	-
b) sales	-
1. settled	-
2. not yet settled	-
2. Asset management	**1,136,225**
a) individual	1,136,225
b) collective	-
3. Custody and administration of securities	**63,383,531**
a) third-party securities on deposit held for depository bank services (excluding asset management)	-
1. Securities issued by the reporting Bank	-
2. other securities	-
b) other securities of third parties on deposit (excluding asset management): other	28,141,938
1. Securities issued by the reporting Bank	816,926
2. other securities	27,325,012
c) third-party securities deposited with third parties	27,523,513
c) own securities deposited with third parties	7,718,080
4. Other transactions	**-**

6. Financial assets subject to offsetting or subject to master netting agreements or similar arrangements

Technical forms	Gross amount of financial assets (a)	Gross amount of financial liabilities offset (b)	Net amount of financial assets recognized (c=a-b)	Related amounts not subject to offsetting		Net amount (f=c-d-e) 31 Dec. 2019	Net amount 31 Dec. 2018
				Financial Instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	833,201	-	833,201	512,116	267,586	53,499	29,343
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31 Dec. 2019	**833,201**	**-**	**833,201**	**512,116**	**267,586**	**53,499**	**X**
Total 31 Dec. 2018	**641,092**	**-**	**641,092**	**583,304**	**28,445**	**X**	**29,343**

7. Financial liabilities subject to offsetting or subject to master netting agreements or similar arrangements

Technical forms	Gross amount of financial liabilities (a)	Gross amount of financial assets offset (b)	Net amount of financial assets recognized (c=a-b)	Related amount not subject to offsetting		Net amount (f=c-d-e) 31 Dec. 2019	Amount amount 31 Dec. 2018
				Financial Instruments (d)	Cash deposits as collateral (e)		
1. Derivatives	370,360	-	370,360	327,484	-	42,876	54,758
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31 Dec. 2019	**370,360**	**-**	**370,360**	**327,484**	**-**	**42,876**	**X**
Total 31 Dec. 2018	**638,063**	**-**	**638,063**	**583,305**	**-**	**X**	**54,758**

IFRS 7 requires specific disclosure on financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or that may be potentially offset, upon occurrence of specific conditions, but are recognised in the Balance Sheet without any netting as they are governed by "master netting agreements or similar arrangements" that do not comply with all the requirements laid down by IAS 32 paragraph 42.

As regards instruments that may potentially be offset, at the occurrence of certain events, and to be reported in tables 6 and 7, it is pointed out that, for transactions in OTC derivatives, the Crédit Agricole Italia Banking Group has signed bilateral netting agreements (ISDA master agreements) with market counterparties, whereby, in case of default of the counterparty, claims and obligations relating to financial derivatives may be offset. Furthermore, the Group signed Credit Support Annexes (CSA) to the ISDA agreements providing for the exchange of collateral with the counterparties in order to reduce net exposure.

In order to prepare the tables and in accordance with IFRS 7 and with the new regulations on Banks' financial statements, it is reported that:

- The effects of the potential offsetting of the balance sheet values of financial assets and liabilities are reported in column (d) "Financial instruments";
- The related cash collaterals are presented in column (e) "Cash deposits pledged as collateral";
- Transactions in derivatives are recognized at fair value.

These effects are calculated for each master netting agreement, to the extent of the exposure stated in column (c).

Based on the preparation methods described above, thanks to the netting agreements and the related collateral, the credit/debt exposure to the counterparties can be significantly reduced, as shown in column (f) "Net amount".

PART C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 – Interests – Items 10 and 20

1.1 INTEREST AND SIMILAR INCOME: BREAKDOWN

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31.12.2019	Total 31.12.2018
1. Financial assets measured at fair value through profit or loss	**82**	**-**	**-**	**82**	**601**
1.1 Financial assets held for trading	82	-	-	82	601
1.2 b. Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	**34,975**	**-**	**X**	**34,975**	**58,003**
3. Financial assets measured at amortized cost:	**65,019**	**852,529**	**-**	**917,548**	**910,895**
3.1 Due from banks	-	9,065	X	9,065	3,680
3.2 Loans to customers	65,019	843,464	X	908,483	907,215
4. Hedging derivatives	**X**	**X**	**(48,870)**	**(48,870)**	**(68,811)**
5. Other assets	**X**	**X**	**6,576**	**6,576**	**3,462**
6. Financial liabilities	**X**	**X**	**X**	**17,949**	**23,582**
Total	**100,076**	**852,529**	**(42,294)**	**928,260**	**927,732**
of which: interest income on impaired financial assets	-	45,364	-	45,364	61,189
of which: interest income on finance leases	-	38,514	-	38,514	39,692

The sub-item “Financial liabilities” reports, as to Euro 17.0 million, interest income accrued on the funding from the ECB consisting of TLTRO II loans taken.

1.2 INTEREST AND SIMILAR INCOME: OTHER INFORMATION

1.2.1 Interest income on foreign-currency financial assets

As at 31 December 2019, interest income on foreign-currency financial assets came to Euro 7,677 thousand.

1.3 INTEREST AND SIMILAR EXPENSES: BREAKDOWN

Items/Technical forms	Due and payables	Securities	Other transactions	Total 31.12.2019	Total 31.12.2018
1. Financial liabilities measured at amortized cost	(48,976)	(86,200)	-	(135,176)	(157,593)
1.1 Due to central banks	(6,342)	X	X	(6,342)	(13,455)
1.2 Due to banks	(13,703)	X	X	(13,703)	(7,470)
1.3 Due to customers	(28,931)	X	X	(28,931)	(40,904)
1.4 Debt securities issued	X	(86,200)	X	(86,200)	(95,764)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(574)	(574)	(839)
5. Hedging derivatives	X	X	222,644	222,644	234,610
6. Financial assets	X	X	X	(5,469)	(10,628)
Total	**(48,976)**	**(86,200)**	**222,070**	**81,425**	**65,550**
of which interest expense for lease liabilities	(4,102)	-	-	(4,102)	-

1.4 INTEREST AND SIMILAR EXPENSES: OTHER INFORMATION

1.4.1 Interest expense on foreign-currency liabilities

As at 31 December 2019, interest expense on foreign-currency financial liabilities came to Euro 2,891 thousand.

1.5 DIFFERENCES ON HEDGING TRANSACTIONS

Items	31.12.2019	31.12.2018
A. Positive differences on hedging transactions	302,771	317,038
B. Negative differentials on hedging transactions	(128,997)	(151,237)
C. Balance (A-B)	**173,774**	**165,801**

Section 2 – Fees and Commissions – Items 40 and 50

2.1 FEE AND COMMISSION INCOME: BREAKDOWN

Type of services/Values	Total 31.12.2019	Total 31.12.2018
a) guarantees given	20,348	20,317
b) credit derivatives	-	-
c) management, intermediation and advisory services:	579,970	551,789
1. trading in financial instruments	-	-
2. foreign exchange trading	4,624	4,656
3. portfolio management	9,798	12,083
4. custody and administration of securities	4,989	5,089
5. depositary bank services	-	-
6. placement of securities	195,992	188,057
7. receipt and transmission of orders	12,587	10,640
8. advisory services	29,088	31,137
8.1 on investments	244	216
8.2 on financial structure	28,844	30,921
9. distribution of third-party services	322,892	300,127
9.1. asset management	470	-
9.1.1. Individual portfolios	470	-
9.1.2. collective	-	-
9.2 insurance products	282,297	264,010
9.3. other products	40,125	36,117
d) collection and payment services	60,232	59,062
e) servicing activities for securitizations	-	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) management of multilateral trading facilities	-	-
i) keeping and managing current accounts	218,296	209,436
j) other services	77,298	91,127
Total	**956,144**	**931,731**

Sub-item “j) other services” mainly reports fees and commissions on debit and credit cards and on e-money services amounting to Euro 42,642 thousand and fees and commissions for loans granted amounting to Euro 6,786 thousand.

2.3 FEE AND COMMISSION EXPENSES: BREAKDOWN

Services/Values	Total 31.12.2019	Total 31.12.2018
a) guarantees received	(14,865)	(11,752)
b) credit derivatives	-	-
c) management and intermediation services:	(8,279)	(8,233)
1. trading in financial instruments	(1,804)	(1,851)
2. foreign exchange trading	(3)	-
3. asset management:	(2,273)	(2,360)
3.1 own portfolio	-	-
3.2 third-party portfolio	(2,273)	(2,360)
4. custody and administration of securities	(1,239)	(1,483)
5. placement of financial instruments	(2,960)	(2,539)
6. off-premises distribution of financial instruments, products and services	-	-
d) collection and payment services	(3,329)	(3,599)
e) other services	(16,905)	(16,600)
Total	**(43,378)**	**(40,184)**

Sub-item “j) other services” mainly reports fees and commissions on debit and credit cards and e-money services amounting to Euro 9,514 thousand.

Section 3 – Dividends and similar income – Item 70

3.1 DIVIDENDS AND SIMILAR INCOME: BREAKDOWN

Items/Income	Total 31.12.2019		Total 31.12.2018	
	Dividend income	Similar income	Dividend income	Similar income
A. Financial assets held for trading	10	214	262	66
B. Other financial assets mandatorily measured at fair value	955	-	111	-
C. Financial assets measured at fair value through other comprehensive income	10,189	-	12,175	-
D. Equity investments	-	-	-	-
Total	**11,154**	**214**	**12,548**	**66**

The main dividends for the reporting year referred to the shareholding in the Bank of Italy, which was classified in the “Financial assets measured at fair value through other comprehensive income” portfolio (Euro 8,856 thousand).

Income referred to the units of O.I.C.R. collective investment undertakings held.

Section 4 – Net profits (losses) on trading activities – Item 80

4.1 NET PROFITS (LOSSES) ON TRADING ACTIVITIES: BREAKDOWN

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**880**	**(355)**	**(242)**	**283**
1.1 Debt securities	-	309	(1)	(26)	282
1.2 Equity securities	-	-	-	(1)	(1)
1.3 Units of O.I.C.R. collective investment undertakings	-	99	(354)	-	(255)
1.4 Loans	-	-	-	-	-
1.5 Other	-	472	-	(215)	257
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Due and payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**6,163**
4. Derivatives	**44,101**	**41,867**	**(43,769)**	**(34,057)**	**8,701**
4.1 Financial derivatives:	44,101	41,867	(43,769)	(34,057)	8,701
- On debt securities and interest rates	43,422	41,601	(43,334)	(33,810)	7,879
- On equity securities and equity indices	230	-	2	-	232
- On foreign exchange and gold	X	X	X	X	559
- Other	449	266	(437)	(247)	31
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	X	X	X	X	-
Total	**44,101**	**42,747**	**(44,124)**	**(34,299)**	**15,147**

Section 5 – Net profits (losses) on hedging activities – Item 90

5.1 NET PROFITS (LOSSES) ON HEDGING ACTIVITIES: BREAKDOWN

Income components/Values		Total 31.12.2019	Total 31.12.2018
A.	**Gain on:**		
A.1	Fair value hedges	442,917	265,796
A.2	Hedged financial assets (fair value)	164,187	64,314
A.3	Hedged financial liabilities (fair value)	3,514	89,387
A.4	Cash flow hedges	-	-
A.5	Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)		**610,618**	**419,497**
B.	**Loss on:**		
B.1	Fair value hedges	(294,307)	(229,797)
B.2	Hedged financial assets (fair value)	(16,431)	(38,269)
B.3	Hedged financial liabilities (fair value)	(310,001)	(162,263)
B.4	Cash flow hedges	-	-
B.5	Assets and liabilities in foreign currencies	-	-
Total expenses on hedging activities (B)		**(620,739)**	**(430,329)**
C.	**Net profit (loss) on hedging activities (A – B)**	**(10,121)**	**(10,832)**
	of which: gains (losses) on hedges of net positions	-	-

Section 6 – Profits (losses) on disposal/repurchase – Item 100

6.1 PROFITS (LOSSES) ON DISPOSAL/REPURCHASE: BREAKDOWN

Items/Income components	Total 31.12.2019			Total 31.12.2018		
	Profits	Losses	Net profit or loss	Profits	Losses	Net profit (loss)
A. Financial Assets						
1. Financial assets measured at amortized cost	2,833	(14,879)	(12,046)	83,107	(77,663)	5,444
1.1 Due from banks	-	-	-	366	-	366
1.2 Loans to customers	2,833	(14,879)	(12,046)	82,741	(77,663)	5,078
2. Financial assets measured at fair value through other comprehensive income	14,120	(10,806)	3,314	30,220	(3,792)	26,428
2.1 Debt securities	14,120	(10,806)	3,314	30,220	(3,792)	26,428
2.2 Loans	-	-	-	-	-	,
Total assets (A)	**16,953**	**(25,685)**	**(8,732)**	**113,327**	**(81,455)**	**31,872**
B. Financial liabilities measured at amortized cost						
1. Due to banks	-	-	-	-	-	-
2. Due to Customers	-	-	-	-	-	-
3. Debt securities issued	241	(392)	(151)	814	(735)	79
Total liabilities (B)	**241**	**(392)**	**(151)**	**814**	**(735)**	**79**

Section 7 – Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss – Item 110

7.2 NET CHANGES IN VALUE OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: BREAKDOWN OF OTHER FINANCIAL ASSETS AND LIABILITIES MANDATORILY MEASURED AT FAIR VALUE

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets	105	20	(154)	-	(29)
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	105	20	(154)	-	(29)
1.3 Units of collective investment undertakings	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: foreign exchange differences	X	X	X	X	-
Total	**105**	**20**	**(154)**	**-**	**(29)**

Section 8 – Net losses/recoveries for credit risk – Item 130

8.1 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN

Transactions/income components	Losses (1)			Recoveries (2)		Total 31.12.2019	Total 31.12.2018
	Stage 1 and stage 2	Stage 3		Stage 1 and stage 2	Stage 3		
		Write-offs	Other				
A. Due from Banks	**(2,046)**	**-**	**-**	**1,298**	**-**	**(748)**	**(469)**
- Loans	(2,046)	-	-	1,298	-	(748)	(469)
- Debt securities	-	-	-	-	-	-	-
of which: POCI	-	-	-	-	-	-	-
B. Loans to customers	**(120,139)**	**(20,709)**	**(288,408)**	**121,605**	**89,908**	**(217,743)**	**(250,897)**
- Loans	(119,065)	(20,709)	(288,408)	121,557	89,908	(216,717)	(249,778)
- Debt securities	(1,074)	-	-	48	-	(1,026)	(1,119)
of which: POCI	-	-	-	-	-	-	-
Total	**(122,185)**	**(20,709)**	**(288,408)**	**122,903**	**89,908**	**(218,491)**	**(251,366)**

8.2 NET ADJUSTMENTS FOR CREDIT RISK OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN

Transactions/income components	Losses (1)			Recoveries (2)		Total 31.12.2019	Total 31.12.2018
	Stage 1 and stage 2	Stage 3		Stage 1 and stage 2	Stage 3		
		Write-offs	Other				
A. Debt securities	**(1,114)**	**-**	**-**	**-**	**-**	**(1,114)**	**(948)**
B. Loans	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-
of which: POCI	-	-	-	-	-	-	-
Total	**(1,114)**	**-**	**-**	**-**	**-**	**(1,114)**	**(948)**

Section 9 – Profits/losses on contract modifications without derecognition – Item 140

9.1 PROFITS (LOSSES) ON CONTRACT MODIFICATIONS: BREAKDOWN

Losses on contract modifications without derecognition came to Euro 3,357 thousand.

This item reports the impacts resulting from contract modifications on medium/long-term loans to customers, which, since they do not classify as substantial in accordance with IFRS 9, do not entail derecognition of the assets, but recognition in the Income Statement of the modifications made to contractual cash flows.

Section 12 – Administrative expenses – Item 190

12.1 PERSONNEL EXPENSES: BREAKDOWN

Type of expense/Values	Total 31.12.2019	Total 31.12.2018
1) Employees	(723,396)	(736,275)
a) wages and salaries	(520,664)	(517,196)
b) social security contributions	(137,218)	(136,580)
c) severance benefits	(382)	(831)
d) pensions	-	-
e) allocation to employee severance benefit provision	(918)	(1,328)
f) allocation to provision for post-employment and similar obligations:	(390)	(409)
- defined-contribution	-	(15)
- defined-benefit	(390)	(394)
g) payment to external supplementary pension schemes:	(45,927)	(45,593)
- defined-contribution	(45,927)	(45,593)
- defined-benefit	-	-
h) costs from share-based payment agreements	-	-
i) other employee benefits	(17,897)	(34,338)
2) Other staff	(1,645)	(2,403)
3) Directors and Auditors	(2,714)	(3,345)
4) Retired personnel	-	-
5) Expense recovery for employees seconded to other companies	-	-
6) Expense refund for third parties' employees seconded to the company	-	-
Total	**(727,755)**	**(742,023)**

12.2 AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY

	31.12.2019
Employees:	9,167
a) Senior Managers	111
b) Junior Managers	4,219
c) other Employees	4,837
Other staff	50

The figures reporting the number of employees take account of incoming and outgoing secondments; the "Other staff" figure refers exclusively to non-employees.

12.3 COMPANY DEFINED-BENEFIT PENSION PLANS: COSTS AND REVENUES

Type of expenses/Values	31.12.2019	31.12.2018
Provision for the period	-	-
Changes due to passing of time	(390)	(394)

12.4 OTHER EMPLOYEE BENEFITS

These mainly consisted of the cost for the voluntary redundancy plan (Solidarity Fund) allocated in 2019, voluntary redundancy incentives, non-occupational policies and benefits to employees, as well as the contribution to the bank employees' cultural and recreational club.

12.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

Type of expense/Values	31.12.2019	31.12.2018
Direct and indirect taxes	(118,215)	(121,199)
IT services, data processing	(52,607)	(57,311)
Facility rental and management	(10,619)	(48,726)
Expenses for advisory services	(30,218)	(31,082)
Mail, telegraph and delivery services	(7,157)	(8,797)
Telephone and data transmission	(8,226)	(7,822)
Legal expenses	(9,851)	(10,662)
Property maintenance	(8,728)	(7,337)
Furnishing and plant maintenance	(16,436)	(16,181)
Marketing, promotion and entertainment expenses	(16,069)	(17,201)
Transport services	(25,633)	(43,230)
Lighting, heating and air conditioning	(13,588)	(13,151)
Printed material, stationery and consumables	(6,339)	(7,227)
Staff training expenses and reimbursements	(11,557)	(12,086)
Security services	(2,769)	(3,203)
Information and title searches	(4,844)	(5,813)
Insurance premiums	(180,041)	(182,677)
Cleaning services	(6,436)	(7,643)
Leasing of other property, plant and equipment	(13,820)	(11,254)
Management of archives and document handling	(6,364)	(5,332)
Reimbursement of costs to Group companies	(24,797)	(28,298)
Contributions to support the banking system	(40,703)	(40,188)
Sundry expenses	(16,885)	(27,143)
Total	**(631,902)**	**(713,563)**

IFRS 16 entered into force and applies to reporting periods starting on or after 1 January 2019; it requires lease costs to be recognized with a different method. For more exhaustive reporting on the first-time adoption of IFRS 16, please refer to paragraph 1.2 Transition to IFRS 16 “Leases” in the Note to the financial statements.

Section 13 – Net provisions for risks and charges – Item 200

13.1 NET PROVISIONS FOR CREDIT RISK ON COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN BREAKDOWN

Net provisions for credit risk on commitments and guarantees came to Euro 3,244 thousand.

13.2 NET PROVISIONS FOR OTHER COMMITMENTS AND OTHER GUARANTEES GIVEN: BREAKDOWN

As at 31 December 2018, there were no provisions for other commitments and guarantees given.

13.3 NET PROVISIONS FOR OTHER RISKS AND CHARGES: BREAKDOWN

The “net provisions for other risks and charges” item for 2019 reports a negative mismatch of Euro 8,877 thousands and consists of Euro 6,589 thousand for non-lending-related legal disputes, Euro 1,439 thousand for lending disputes and Euro 849 thousand for provisioning for other risks and charges.

Section 14 – Net adjustments/writebacks of property, plant and equipment – Item 210

14.1 NET VALUE ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN

Assets/Income component	Depreciation (a)	Impairment losses (b)	Recoveries/ writebacks (c)	Net profit (loss) (a + b – c)
A. Property, plant and equipment:				
1. Operating assets	(75,992)	-	-	(75,992)
- owned	(43,700)	-	-	(43,700)
- rights of use acquired with leases	(32,292)	-	-	(32,292)
2. Investment property	(4,171)	-	-	(4,171)
- owned	(1,952)	-	-	(1,952)
- rights of use acquired with leases	(2,219)	-	-	(2,219)
3. Inventories	X	-	-	-
Total	**(80,163)**	**-**	**-**	**(80,163)**

The table reports Euro 34,999 thousand worth of depreciation of rights of use recognized under property, plant and equipment in the balance sheet subsequent to the first-time adoption, for the reporting period starting on 1 January 2019, of IFRS 16, as exhaustively described in Part A Accounting Policies.

Section 15 – Net adjustments of/recoveries on intangible assets – Item 220

15.1 NET VALUE ADJUSTMENTS OF INTANGIBLE ASSETS: COMPOSITION

Assets/Other comprehensive income	Amortization (a)	Impairment losses (b)	Recoveries/ writebacks (c)	Net profit (loss) (a + b – c)
A. Intangible assets				
A.1 Owned	(85,439)	-	-	(85,439)
- Internally generated	(3,581)	-	-	(3,581)
- Other	(81,858)	-	-	(81,858)
A.2 Rights of use acquired with leases	(5,414)	-	-	(5,414)
Total	**(90,853)**	**-**	**-**	**(90,853)**

Section 16 – Other operating expenses and income – Item 230

16.1 OTHER OPERATING EXPENSES: BREAKDOWN

Type of expense/Values	31.12.2019	31.12.2018
Expenses for finance lease transactions	(5,849)	(5,532)
Amortization of expenditure for leasehold improvements	(8,230)	(10,047)
Other expenses	(9,616)	(14,300)
Total	**(23,695)**	**(29,879)**

16.2 OTHER OPERATING INCOME: BREAKDOWN

Type of expense/Values	31.12.2019	31.12.2018
Rental income and recovered expenses on real estate	2,472	2,951
Income from finance lease contracts	1,929	2,180
Taxes and levies recovered	101,329	103,966
Insurance costs recovered	178,792	182,464
Other expenses recovered	9,626	10,299
Service recovery	2,789	2,848
Other income	10,542	19,517
Total	**307,479**	**324,225**

Section 17 – Profits (losses) on equity investments – Item 250

17.1 PROFITS (LOSSES) ON EQUITY INVESTMENTS: BREAKDOWN

Other comprehensive income/Values	31.12.2019	31.12.2018
1) Joint arrangements		
A. Income	12,962	8,839
1. Revaluations	-	-
2. Profits on disposal	-	10
3. Recoveries/writebacks	-	-
4. Other income	12,962	8,829
B. Expenses	-	(309)
1. Writedowns	-	-
2. Losses on impairment	-	-
3. Losses on disposal	-	(309)
4. Other expenses	-	-
2) Investees subject to significant influence		
A. Income	-	-
1. Revaluations	-	-
2. Profits on disposal	-	-
3. Recoveries/writebacks	-	-
4. Other income	-	-
B. Expenses	(156)	-
1. Writedowns	-	-
2. Losses on impairment	(156)	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit (loss)	**12,806**	**8,530**

The "Other income" item reports Euro 12,522 thousand worth of the adjustment price for the sale, made in 2012, of the equity investment in CA Vita to Crédit Agricole Assurances and Euro 440 thousand worth of the adjustment price for the sale, made in 2015, of the shares in CA Agro-Alimentare S.p.A. to CACIF. The "Losses on impairment" item, coming to Euro 156 thousand, reports the writedown of the equity investment in Le Village by Milano resulting from its measurement with the equity method.

Section 20 – Profits (losses) on disposal of investments – Item 280

20.1 PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS: BREAKDOWN

Income component/Values	31.12.2019	31.12.2018
A. Property	520	121
- Profits on disposal	520	175
- Losses on disposal	-	(54)
B. Other assets	(23)	(3)
- Profits on disposal	2	6
- Losses on disposal	(25)	(9)
Net profit (loss)	**497**	**118**

Section 21 -Taxes on income from continuing operations: breakdown – Item 300

Current taxes and deferred tax liabilities came to Euro 141.6 million, increasing by approximately Euro 12.8 million vs. the previous year.

Therefore, the tax burden for the period expresses a percentage weight essentially in line with that of the previous year.

21.1 TAXES ON INCOME FROM CONTINUING OPERATIONS: BREAKDOWN

Income components/Values		31.12.2019	31.12.2018
1.	Current taxes (-)	(69,283)	(75,821)
2.	Changes in current taxes for previous years (+/-)	123	1,845
3.	Reduction in current taxes for the year (+)	642	317
3.bis	Reduction in current taxes for the period for tax credits pursuant to Law No. 214/2011 (+)	-	1,407
4.	Change in deferred tax assets (+/-)	(80,895)	(63,174)
5.	Change in deferred tax liabilities (+/-)	7,817	6,609
6.	Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(141,596)	(128,817)

21.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED

	31.12.2019
Theoretical taxable income	467,752
Income taxes – Theoretical tax liability at the ordinary rate	(128,632)
effect of expenses that are fully or partially non-deductible and income that is fully or partially non-taxable at 27.5%	33,130
- consolidation effect	(12,341)
Income tax – actual tax liability	(107,843)
- use of excess tax provisioning in previous periods	-
- effect of deduction and tax credits	640
IRAP – Theoretical tax liability	(26,100)
- effect of income/expenses that do not contribute to the taxable base	(82,366)
- effect of other changes	76,228
- consolidation effect	(2,131)
- effect of change in the average tax rate	(24)
IRAP – Actual tax liability	(34,393)
Other taxes	-
Actual tax liability recognized	**(141,596)**

Section 23 – Profit (loss) for the period attributable to minority interests – Item 340

23.1 BREAKDOWN OF ITEM 340 "PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO MINORITY INTERESTS"

Company name	31.12.2019	31.12.2018
Equity investments in consolidated companies with significant minority interests		
1. Crédit Agricole FriulAdria S.p.A.	11,130	10,503
2. Crédit Agricole Carispezia S.p.A.	-	6,588
3. Crédit Agricole Leasing S.r.l.	983	1,055
4. Crédit Agricole Group Solutions S.c.p.A.	-	-
Other equity investments	(26)	9
Total	**12,087**	**18,155**

Profit attributable to minority interests came to Euro 12,087 thousand, mainly regarding Crédit Agricole FriulAdria S.p.A. and Crédit Agricole Leasing Italia S.r.l.

The profit attributable to minority interests regarding Crédit Agricole Carispezia S.p.A. was zero as at 31 December 2019, as, on 21 July 2019, the subsidiary was merged by absorption into its controlling company Crédit Agricole Italia S.p.A. with accounting and tax effects backdated to 1 January 2019.

Section 25 – Earnings per share

25.1 AVERAGE NUMBER OF ORDINARY SHARES OF DILUTED CAPITAL

The Parent Company's share capital consists of 979,233,295 shares, with a nominal value of Euro 1 each.

PART D – COMPREHENSIVE INCOME

BREAKDOWN STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2019	31.12.2018
10.	Net Profit (Loss) for the period	326,156	292,053
Other comprehensive income not recycled to profit or loss		**(7,594)**	**(5,065)**
20.	Equity securities designated at fair value through other comprehensive income	(7,373)	(3,117)
	a) Changes in fair value	(7,373)	(516)
	b) Transfers to other equity components (equity securities derecognized)	-	(2,601)
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
	a) Changes in fair value	-	-
	b) Transfers to other equity components (equity securities derecognized)	-	-
40.	Hedging of equity securities designated at fair value through other comprehensive income	-	-
	a) Changes in fair value (hedged item)	-	-
	a) Changes in fair value (hedging instrument)	-	-
50.	Property, Plant and Equipment	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	(3,517)	(2,930)
80.	Non-current assets held for sale	-	-
90.	Share of valuation reserves on equity investments measured using the equity method	-	-
100.	Income taxes for other comprehensive income not recycled to profit or loss	3,296	982
Other comprehensive income recycled to profit or loss		**92,257**	**(123,513)**
110.	Hedging of investments in foreign operations:	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
120.	Foreign exchange differences:	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
	of which: gains (losses) on hedges of net positions	-	-
140.	Hedging instruments: (elements not designated) (IAS 1 para. 7 letters g) and h))	-	-
	A) changes in value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	129,656	(174,701)
	a) changes in fair value	119,569	(152,829)
	b) reclassification to profit or loss	10,087	(21,872)
	- adjustments for credit risk	1,114	948
	- profit/losses on disposal	8,973	(22,820)
	c) other changes	-	-
160.	Non-current assets held for sale	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
170.	Share of valuation reserve on equity investments measured with the equity method:	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	- impairment losses	-	-
	- profit/losses on disposal	-	-
	c) other changes	-	-
180.	Income taxes for other comprehensive income recycled to profit or loss	(37,399)	51,188
190.	**Total other comprehensive income**	**84,663**	**(128,578)**
200.	**Comprehensive income (10+190)**	**410,819**	**163,475**
210.	Consolidated comprehensive income attributable to Minority Interests	(14,460)	(11,654)
220.	**Consolidated comprehensive income pertaining to the Parent Company**	**396,359**	**151,821**

PART E – INFORMATION ON RISKS AND RELATIVE HEDGING POLICIES

The Crédit Agricole Italia Banking Group attaches great importance to the measurement, management and control of risks, as an essential factor to achieve sustainable growth.

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

In turn, the system set by Crédit Agricole Italia is based on the Supervisory regulations and on the directions issued by Credit Agricole S.A. concerning its subsidiaries.

Its approach to risks takes account of the features of its main reference market and of the guidelines issued by the French Parent Company on the Group's vocation as customer-focused proximity bank, which results in services designed to build and consolidate priority relations with local Customers, by fully understanding their specificities and enhancing their potential for development and growth, as well as by offering lines of dedicated products and services, specialist Branches throughout the geographical areas of operations, by making product specialists available to Customers and by providing training programs that involve also Trade Associations

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

Risk appetite and culture dissemination

The Crédit Agricole Italia Banking Group has set its Risk Appetite Framework consistently with the guidelines and with the strategic plan of the Parent Company Crédit Agricole S.A.

This framework entails a set of limits and indicators that operationally set out in the Group Risk Strategy, on a yearly basis. Then, these limits are submitted to the Boards of Directors of the Parent Company and of the single Entities of the Group for their approval.

The Risk Strategy has the objective to provide for and steer credit risk, operational risk, market and financial risks.

In order to constantly ensure effective risk measurement and effective integration of risk management in the Group's governance and operations, as well as dissemination and sharing of risk culture, the Group's organization includes, on a permanent and fully structured basis, specific Committees and Interdepartmental Working Groups, the members of which are the reference roles of all relevant corporate Departments

To be noted are the Risks and Internal Control Committee and the ALM Committee, which, within their different Risk scopes (Credit Risk, Operational Risk, Financial Risk and Compliance Risk) are responsible for designing and formalizing risk management policies, for structuring and assigning tasks and responsibilities to corporate bodies and departments, for monitoring risk trends and steering the relevant action plans, consistently with the Group's risk appetite and with the guidelines issued by the Parent Company Crédit Agricole and adopted by the Board of Directors.

Going downstream in the organization, important drivers for the dissemination of risk culture are provided by:

- The Operational Risk Manager (ORM), a key role for activity and support, within the reference perimeter, on the identification of operational risks and processing of the relevant practices;
- Preparation of 2.1 controls, which directly involves the relevant structures in defining the scopes to be monitored;
- Scenario analysis and Risk Self-Assessment (RSA), with subsequent implementation of risk mapping, which directly involve the relevant structures in identifying risk and their possible consequences;
- Management support on the outsourcing of important operating functions;
- Specific training.

Risk Appetite Framework

The Crédit Agricole Italia Banking Group determined its Risk Appetite Framework – "RAF" at the Board of Directors meetings held on 26 January 2019 and 26 March 2019. This risk appetite statement is an integral part and plays a pivotal role in the definition of the Governance framework, since, consistently with the maximum risk that may be taken, it includes the business model and the strategic plan, the risk appetite, tolerance thresholds, risk limits, risk governance policies and the reference processes required to define and implement them.

In 2019, the set of documents regarding the Group's Risk Appetite Framework was updated; specifically, in terms of Governance, the following items were revised:

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

In 2019, the Group performed its regular process for the identification of material risks, based on the setting received from the Controlling Company Crédit Agricole SA and consistently with the ICAAP document and with the Internal Control Annual Report (ICAR or with the Italian acronym RACI) identifying 14 material risks, classifiable in the credit risk, financial risk, strategic risk, operational risk and non-compliance risk macro-categories.

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

- A selective and responsible funding policy within a conservative lending policy that is set down in the Risk Strategy, consistently with the corporate social responsibility policy and with the system of decision-making powers in force;
- A conservative risk profile on all the main financial risks, with special focus on keeping its exposure to market risk modest;
- Strict oversight on exposure to operational risk;
- A system of controls aimed at controlling non-compliance risk (identified and monitored);
- Careful measurement of risk-weighted assets;
- Integrated management of the Group's assets and liabilities.

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

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

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

Moreover, the Group's risk appetite is also expressed by the management of qualitative risks, concerning the Group's strategy and operations, especially based on the Company's will to pursue sustainable growth and effective management of risks. The Group has implemented a set of operational limits that are laid down in its Risk Strategy and have become an integral part of the RAF. These indicators allow better classification and monitoring of the risks taken, ensuring pervasiveness of the RAF model.

Finally, in 2019, within the RAF ordinary operation, opinions were given regarding the consistency of the Most Relevant Transactions (Operazioni di Maggior Rilievo – MRT or with the Italian acronym OMR) with the RAF and with the risk management policy at the Group level.

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

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

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

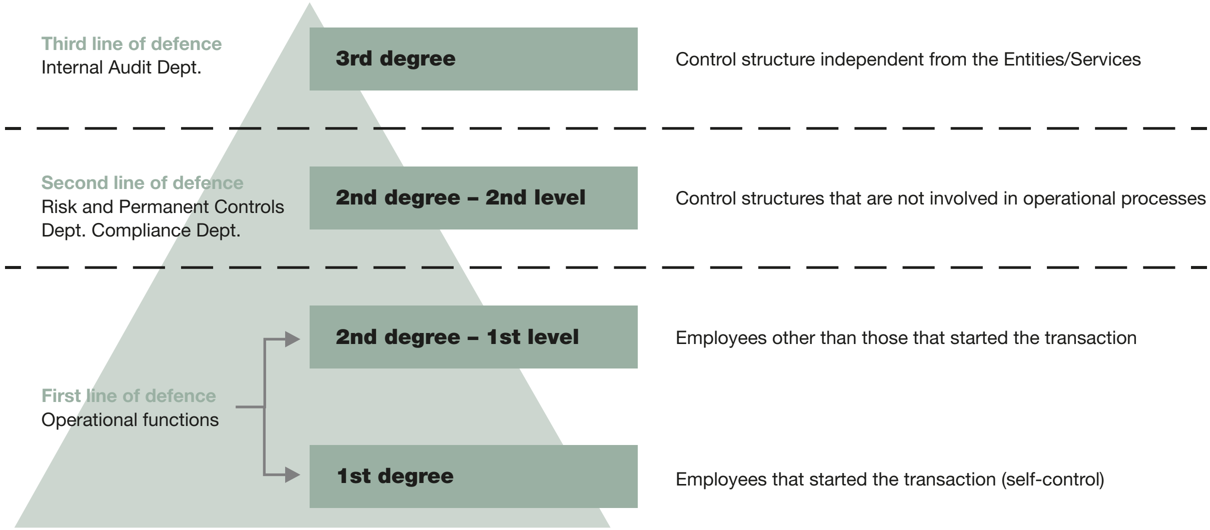
In case the Tolerance and Capacity levels of the RAF ratios/indicators are exceeded, an escalation process is provided for, which has been designed to involve the corporate roles responsible for defining the corrective actions needed to return to the normal risk levels; this process is called "RAF Recovery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

In 2019, the Risk Appetite Framework was strengthened with the inclusion of Compliance and Information Technology (IT) indicators.

Internal Control Arrangement

The Internal Control arrangement of the Crédit Agricole Italia Banking Group implements the instructions given by the Parent Company Crédit Agricole S.A., which entail compliance with the requirements and expectations laid down both by the French Supervisory Authority ACPR in the document "Arrêté du 3 novembre 2014 relatif au contrôle interne des entreprises du secteur de la banque, des services de paiement et des services d'investissement" and by the Italian Supervisory Authority (please, see Bank of Italy Circular no. 285 of 17 December 2013 as amended in the subsequent updates).

The Group's Internal Control Arrangement is implemented with the three defence lines set out in the chart below:



In accordance with the guidelines issued by the Parent Company C.A.sa, the Permanent Controls System is structured as follows:

First line of defence:

1st degree controls: performed continuously, at the start of any transaction and throughout the process for its validation, by the employees that carry it out and by the persons they report to on a solid line, or performed by the automated systems for transaction processing;

2nd degree – level 1 controls: performed by employees other than those that started the transaction;

Second line of defence:

2nd degree – level 2 controls: performed by the specialist structures engaged in last-level permanent controls, independent from structures and roles with business executive functions.

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

The Internal Control Arrangement also comprises 3rd-degree periodic controls, which are performed by the Internal Audit Department.

The Internal Control Arrangement adopted by the Crédit Agricole Italia Banking Group results from a process involving:

- The definition of the scope of control and the areas of responsibility of the different players appointed;
- The identification of the main risk zones, based on risk mapping;
- The implementation of the procedures to classify operating activities, decision-making powers and controls;
- The exercise of permanent controls at the different degrees and levels provided for, monitoring correct implementation of the procedures and detection of any early warnings and non-performing instances;
- The exercise of periodic control by the Internal Audit Department;
- The implementation of a specific system for reporting to the corporate bodies and the top management engaged in governance and control functions.

The setting of the Internal Control Arrangement is shared and formalized throughout the Group with the system of internal normative instruments.

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

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

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

The risk management and permanent controls function

In 2019 the Risk Management and Permanent Controls Department was engaged in the main projects listed below:

- The development of the project for the go-live of all implementations needed to align the Group's processes and models to the new definition of default;
- The continuation of the activities for revalidation of the rating systems for Retail customers;
- The completion of the ANADEFI and Corporate Regulatory project, which is intended to fully align the Group's rating process to that of the Parent Company;
- Within the project for the assessment of Counterparty Risk on trading, the Risk Management and Permanent Controls Department will be responsible for method implementation;
- Strengthening of the control system and pilotage as regards Information Systems and Information Security, through full application of the Group arrangement and monitoring on progress in the CARS project;

In 2019, the main projects will concern:

- The finalization of the project for the go-live of all implementations needed to align the Group's processes and models to the new definition of default;
- Actions aimed at capital optimization, consistently with the new legislation, regulations and standards that will enter into force in the next few years (Basel IV, calendar provisioning, CRR2, CRD V);
- Corporate banking: follow-up of the actions for upgrading to the Group rules carried out in 2019 and implementation of Real Estate and LBO calculation grids;
- Retail banking: management of the roll-out plan for model revalidation and continuation with methodological improvements in accordance with the EBA Guidelines EBA and with the new definition of default;
- Strengthening of the control and pilotage arrangements regarding Information Systems and information security with the implementation of controls on the activities entailing Information and Communication Technology (ICT) Risk regarding digital apps and the Payment Services Directive (PSD2);
- Implementation of the accounting controls associated with the entry into force of IFRS9;
- MIFID II: continuation with the projects to determine quantitative control activities on the MIFID II scope, which the Risk Management and Permanent Controls Department is responsible for.

The above activities will be carried out also in cooperation with the relevant structures of the French Parent Company.

The Compliance Function

The Compliance Department of Crédit Agricole Italia controls non-compliance risk at a central level, also for the Group's entities:

- It sets and steers, on a continuous basis, the policies for non-compliance risk prevention, by constantly monitoring the relevant legislation and by assessing and measuring the impact of non-compliance risks on processes and procedures in order to prevent any violation of the legislation and regulations falling in the Department's scope of responsibility; where necessary, it asks for organizational and procedural changes;
- It ensures the effectiveness of the anti-money-laundering arrangement and the related operating, control and reporting activities, in order to prevent money laundering and terrorism financing risks;
- It oversees all matters regarding the applicable legislation on "international sanctions".

- It manages, prevents and mitigates risks of fraud, bribery and corruption, transparency, usury, conflicts of interest, market abuse, risks of non-compliance with the General Data Protection Regulation and personal data protection risks; it also provides expert advice on the aforementioned risks.
- It provides the relevant reporting to the Bodies engaged in strategic oversight, management and control functions of the Group's entities and to Crédit Agricole SA.

The Compliance Department performs its control activities for all the entities of the Crédit Agricole Italia Banking Group in accordance with an annual plan of second-level controls, which is designed with a risk-based approach and abiding by the directions given by the Parent Company Crédit Agricole SA.; therefore, it sets, as regards the matters it is responsible for, risk mitigation activities and then verifies their proper implementation.

Within its responsibility and action scopes, the Compliance Department also oversees the implementation of specific innovative projects, in order to assess any impacts in terms of non-compliance risk and to ensure they are addressed and solved.

The Internal Audit Function

The Internal Audit Department is independent of any operational, executive and decision-making structure or role entailing risk-taking. The Head of the Internal Audit Department (Chief Audit Executive CAE) reports to the Internal Audit Department of the Controlling Company Crédit Agricole S.A. and to the Chief Executive Officer of Crédit Agricole Italia. Concomitantly, the Internal Audit mandate as laid down within the Group vests the Board of Directors of the Parent Company CA Italia and, as relevant, the Boards of Directors of its Subsidiaries, with the responsibility for approving the annual and forward-looking audit plans, as well as for appointing to office and terminating the appointment of the CAE; the Internal Audit mandate also provides for the CAE to submit the main conclusions reached in the Department' activity, the progress in the internal audit plan and in the implementation of the requested corrective actions to the aforementioned Bodies.

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

Specifically, based on a multiyear work plan, the Internal Audit Department
- Ensures the performance of controls aimed at verifying:
  - Proper running of operations by the Group's entities;
  - The effectiveness and efficiency of the corporate processes as implemented;
  - The protection of the value of Group's assets;
  - Protection from losses;
  - The reliability and integrity of accounting and management data;
  - Compliance of operations with both the policies set down by the corporate governance bodies and with all applicable internal and external regulations;
- Performs periodic review and controls on the processes and on the organizational units of all the Companies of the Crédit Agricole Italia Banking Group, as well as on Outsourced Important Operational Functions, through constant and independent supervision on the regular course of operations, in order to prevent or detect any behaviours or situations that are irregular and/or risky;
- Provides the Top Management, the Corporate Bodies and the Controlling Company Crédit Agricole S.A. with prompt and systematic reporting on the conditions of the controls system and on the outcomes of the activities carried out;
- Supports the Organismo di Vigilanza (body engaged in offence prevention required by Italian Legislative Decree 231/2001) in ensuring constant and independent surveillance action on proper running of operations and processes and in supervising compliance with and adequacy of the rules contained in Model 231.

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

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

The Head of the Internal Audit Department has all the necessary autonomy and independence from the structures engaged in business operations and has the power to access all activities carried out both at the central and peripheral structures as well as to the Boards of Directors of the Group's Entities and to the other Corporate Bodies.

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

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

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

In accordance with the risk assessment outcome and considerations and with the resulting priorities, as well as with any in-depth assessment requested by Corporate Bodies, by the Internal Audit Department of the Controlling Company and by the Top Management, it prepares, in agreement with the French Parent Company, an Annual Plan of Actions, guiding its activities in the year, as well as a Multiyear Plan, which are submitted to the Audit Committee for Internal Control and, for approval, to the Board of Directors.

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

Manager in Charge

Pursuant to above-mentioned Article 154-bis, the Manager in Charge shall state, jointly with the Chief Executive Officer, through the appropriate statement attached to the Annual Report and Separate Financial Statements, the Annual Report and Consolidated Financial Statements and the Interim Condensed Financial Report:

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

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

The Validation Function

Since December 2013, the Crédit Agricole Italia Banking Group has been authorized to use advanced approaches to determine its capital requirement on the Retail portfolio of Crédit Agricole Italia and Crédit Agricole FriulAdria. In accordance with the outcomes of the controls performed in 2018 and in the first six months of 2019, the Validation Service is of the opinion that the methods to estimate probability of default (PD) and loss given default (LGD), as well as the rating system used on the Retail portfolio, comply with the most stringent regulatory requirements laid down for the banks authorized to use AIRB approaches to calculate their regulatory capital.

The analyses made within the follow-up process showed that, as at 30 June 2019, 14 recommendations had been complied with, 5 had been cancelled and 7 new actions had been requested out of 26 open recommendations as at the aforementioned date.

The outcomes of the analyses monitoring the performance of the internal models, as submitted to the Comité des Normes et Méthodologies of Crédit Agricole SA in July 2019 and referring to data as at 31 December 2018, show:

- Probabilities of Default (PD) having discriminatory power while being conservative;
- Correction factors (Danger Rate) of Loss Given Default (LGD) that are overestimated and, thus, mitigate the underestimation of the loss rate calculated on the bad loans portfolio (such underestimation resulted from the higher losses on bad loans in recent years, also subsequent to the massive disposals of NPLs).

The outcomes of the permanent controls and audits aimed at ensuring data quality gave evidence respectively of the overall adequacy of the rating process and of the reliability of the information used for estimating and monitoring internal models.

The use of rating in lending, provisioning and reporting processes was substantiated with the fine-tuning of traceability and of the automation level in the pricing process.

Further improvements being pursued to date concern:

- The PD conservative nature vs. the relevant default rates (observation over one-year time horizon referring to the December 2017 – December 2018 period) is assessed in the light of the present rules governing the classification of customers as defaulting, which will be replaced by the new standards on 1 January 2021; however, the Crédit Agricole Italia Banking Group is completing the process to upgrade its arrangement to the new definition of default and, at the same time, is reviewing its internal models in order to ensure full compliance with the aforementioned standards, as well as with the new EBA requirements on PD and LGD estimate;
- Although loan application processing is adequately governed and regulated by the relevant internal normative instruments, the traceability of the data used to calculate the acceptance rating for individuals and sole traders was found again weak, because the required supporting documentation is missing or not completed; this does not question the goodness of the internally-estimated risk parameters, based on the aforementioned backtesting exercises; furthermore, the implementation of prevention controls and automated procedures within the New PEF application, which will be released in 2020, will contribute to mitigating the above-reported weaknesses. It is reported that the commercial channels were duly informed and given the relevant instructions as regards the above-reported aspects.

In January 2020, the Validation Service sent its annual report on the controls performed in 2018 and in the first six months of 2019 to the Bank of Italy; this report focused specifically on the rating system used for the Retail segment.

Section 1 – Risks of accounting consolidation

In this Section, the reported information regards the entities included in the accounting consolidation scope.

QUANTITATIVE DISCLOSURES

A. Credit quality

A.1 PERFORMING AND NON-PERFORMING EXPOSURES: AMOUNTS, ADJUSTMENTS, CHANGES TREND AND BREAKDOWNS BY BUSINESS SECTOR

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

Portfolio/quality	Bad loans	Unlikely-to-Pay	Non-performing past due exposures	Performing past-due exposures	Other performing exposures	Total
1. Financial assets measured at amortized cost	602,371	1,020,686	27,020	1,062,154	53,631,557	56,343,788
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,821,006	2,821,006
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets being divested	-	-	-	-	-	-
Total 31 Dec. 2019	**602,371**	**1,020,686**	**27,020**	**1,062,154**	**56,452,563**	**59,164,794**
Total 31 Dec. 2018	**633,242**	**1,078,914**	**38,048**	**1,115,290**	**54,685,929**	**57,551,423**

All financial assets are classified by credit quality with the exception of equity securities and units of collective investment undertakings.

The breakdowns of forborne exposures by the various credit quality categories are given in the tables in Section 2 – Prudential consolidation risks, as they do not show significant deviations from the accounting consolidation perimeter.

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross and net values)

Portfolio/quality	Non-performing				Performing			
	Gross exposure	Total adjustments	Net exposure	Total partial write-offs*	Gross exposure	Total adjustments	Net exposure	Total (net exposure)
1. Financial assets measured at amortized cost	3,477,690	1,827,613	1,650,077	29,443	54,939,310	245,599	54,693,711	56,343,788
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,824,436	3,430	2,821,006	2,821,006
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
5. Financial assets being divested	-	-	-	-	-	-	-	-
Total 31 Dec. 2019	**3,477,690**	**1,827,613**	**1,650,077**	**29,443**	**57,763,746**	**249,029**	**57,514,717**	**59,164,794**
Total 31 Dec. 2018	**3,681,414**	**1,931,210**	**1,750,204**	**14,854**	**56,086,146**	**284,927**	**55,801,219**	**57,551,423**

* Value to be stated for disclosure purposes

All financial assets are classified by credit quality with the exception of equity securities and units of O.I.C.R. collective investment undertakings.

The table below reports credit quality evidence regarding exposures classified as financial assets held for trading (securities and derivatives) and as hedging derivatives (not represented in the previous table):

Portfolio/quality	Assets with clearly poor credit quality		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	684	600	72,958
2. Hedging derivatives	-	-	759,816
Total 31 Dec. 2019	**684**	**600**	**832,774**
Total 31 Dec. 2018	**1,150**	**1,105**	**646,391**

B. Information on structured entities (other than securitization special-purposes entities)

B.1 CONSOLIDATED STRUCTURED ENTITIES

As at 31 December 2019, there were no structured entities in the accounting consolidation scope, other than securitization special-purpose entities, of the Crédit Agricole Italia Banking Group.

B.2 STRUCTURED ENTITIES NOT CONSOLIDATED IN THE ACCOUNTS

B.2.1. Structured entities consolidated for prudential purposes

As at 31 December 2019, there were no structured entities in the prudential consolidation scope, other than securitization special-purpose entities, of the Crédit Agricole Italia Banking Group.

B.2.2. Other structures entities

The Group's operations through structured entities are performed also through Special Purpose Entities. To this end, Special-Purpose Entities are the legal entities incorporated in order to achieve a specific purpose, which is clearly defined and limited:

- Funding on the market through the issue of specific financial instruments;
- Developing and/or financing a specific business initiative, able to generate, through a business activity, cash flows sufficient to repay the debt;
- Financing the acquisition of a target company that, through its business activity, will be able to generate cash flows for the Special-Purpose Entity to a sufficient amount for full repayment of the debt.

Operations through securitization special-purpose entities, i.e. entities incorporated to acquire, sell and manage certain assets, separating them from the Originator's financial statements, both for asset-backed securities and for funding via self-securitization or issue of Covered Bonds (CB).

For reporting on these type of special-purposes entities, please refer to Section C. Securitizations in Part E of the Note to the consolidated financial statements.

Section 2 – Prudential consolidation risks

In this section, data are stated gross of the relationships with the other companies included in the consolidation of the accounts.

Where the contribution of the relationships between the companies belonging to the prudential consolidation and the other companies included in the consolidation of the accounts is material, it is exhaustively reported at the end of the relevant disclosures.

1.1 CREDIT RISK QUALITATIVE

DISCLOSURES

1. General aspects

The responsibilities for the lending operations of the Crédit Agricole Italia Banking Group have been assigned in compliance with the guidelines issued by the European Central Bank, which require the separation of the structures engaged in the management of Performing loans from those in charge of the management of Non-Performing Exposures (NPEs).

The Credit Department is responsible for lending activities regarding the Performing loan portfolio and past due positions (the latter falling within the management process of early warnings). This Department has the task of setting, in compliance with the corporate strategies and objectives, the lending policies directions and the guidelines on taking and managing credit risk, coordinating their implementation by the relevant structures of the Bank and of the Group.

This Credit Department has also the following responsibilities:
- To coordinate, fully respecting the independence of every Company of the Crédit Agricole Italia Banking Group, lending to ordinary Customers and to Customers entailing significant exposures.
- To set and oversee the implementation of the Crédit Agricole Italia Banking Group's strategies and guidelines pursuing effective control on the number of position becoming non-performing and the related cost, by steering the lending chain structures of the Companies of the Group and of the Distribution Channels.
- To define and promote, consistently with the Group strategies and objectives, an appropriate standardization of lending governance rules.
- To verify, through appropriate operating control mechanisms, compliance with the lending guidelines and policies within the Group, ensuring their quality and monitoring the allocation of loans in terms of sectors and sizes.

The UTP Management Division is responsible for defining the NPE strategy for the Crédit Agricole Italia Banking Group, reporting the related contents and developments to the NPE Committee, ensuring and coordinating constant interaction with Crédit Agricole S.A. and with the Supervisory Authorities as regards NPEs.

The UTP Management Division is responsible, as regards the relevant Customer perimeter, for ensuring management, recovery and/or out-of-court collection of non-performing exposures (except bad loans), in close contact and cooperation with the Network of Crédit Agricole Italia for prompt and effective action to prevent loan impairment, so that the relevant cost is kept under control.

It is responsible for Customers, single ones and/or by Economic Group, in accordance with the specific "Limits to Decision-Making Powers" and with the specific guidelines set out in the "NPE Regulation" and in the applicable legislation and internal normative instruments (specifically, the "Non performing exposure – Stage3" Policy).

The UTP Management Division is responsible, also through the structures of the Group's Banks reporting to this Division on a dotted line, for the following tasks:
- Monitoring compliance with the NPE strategy and its development throughout the Group;
- Coordinating the relations with the Group as regards NPEs, as well as managing the preparation of all NPE-related documentation and reporting to the Supervisory Authorities;
- Arranging for, in cooperation with the Bad Loans Division, the design and update of the NPE impairment policy, ensuring the use of harmonized models for lending processes and tools to manage NPEs;
- Ensuring, consistently with the Group's strategies and objectives and through the structures reporting to this Division on a solid line, the appropriate harmonization of Models, tools and rules for Loan Management, as regards the positions within the Non-Performing Loans management process;
- Setting, steering and verifying, in cooperation with the Structures of the Group's Banks reporting on a dotted line to this Division, the implementation of the Guidelines on the management, recovery and/or out-of-court collection of exposures classified as "NPEs" within its scope of responsibility.

The Bad Loans Division is responsible for the management, performance and credit quality of loans to Customers of the Group's Banks and of Crédit Agricole Leasing Italia classified as bad.

It performs this responsibility within the specific "Limits to decision-making powers" set out in the "NPE Regulation" and in the applicable legislation and internal normative instruments.

The Bad Loans Division is responsible for:
- Steering the management of these exposures, providing the guidelines on the activities to be carried out by the structures reporting to it, and for ensuring coordination and operational efficiency;
- Overseeing the specific activities carried out by the structures reporting to it, and for determining, where the case, the technical-legal solutions to be implemented;
- Verifying and controlling that the structures reporting to it properly carry out the relevant activities, setting the specific benchmarks;
- Ensuring and overseeing that the relevant structures are constantly on top of any developments in the legislation and case law applying to the matters under their responsibility;
- Providing adequate reporting and regular briefs on all the Division activities to the Structure it directly reports to and the Top Officers;
- Overseeing proper management of the Division, training of its staff and of the staff of the structures reporting to it.

2. Credit risk management policies

2.1 ORGANIZATIONAL ASPECTS

The present organizational arrangement (in place since 2018) ensures separation between the roles and structures responsible for managing Performing Loans and those in charge of managing Non Performing Exposures (NPEs).

As regards the performing loan portfolio, lending operations are carried out by the different dedicated structures of the Parent Company and of the Group Banks and investee Companies; these dedicated structures report on a solid and dotted line, respectively, to the Credit Department.

In 2019, some actions were decided and partly already started on the organizational structure of the credit supply chain, aimed at:
- Strengthening the separation between the roles and structures responsible for loan authorization and those engaged in commercial functions: now all the Network lending structures, both Retail and Corporate banking, report on a solid line to the Credit Department, while previously they reported on a solid line to the Commercial Channels; a similar action was implemented for Crédit Agricole FriulAdria;
- Focusing the Credit Department structures on credit risk assessment and on portfolio quality control, with the related operating activities centralized at and outsourced from a dedicated organizational unit of Crédit Agricole Group Solutions, seizing the opportunity to enhance internal flexibility and efficiency, also in view of future automation of operational processes;
- Strengthening the governance and management of the relevant loan portfolio through the new Credit Intelligence Division, which brings together in one structure responsibilities and skills that before were spread over several structures within the Credit Department;
- Strengthening management controls on customers with high risk profile and/or requiring high specialist skills, setting up dedicated structures within the Commercial Channels, called "Special Networks", at which the portfolio will progressively be centralized.

The Credit Department of Crédit Agricole Italia comprises four Divisions:
- The Loan Authorization Division is responsible for the performance and credit quality of Performing loans to Customers with no material non-performing signs (performing loans) and comprises Loan Authorization Services, each one of which specializes in assessing the loan proposals made by one of the Commercial channels (Corporate Banking, Retail Banking, Private Banking and Financial Advisors) or for specific "production chains", which represent economic activity sectors that are deemed very relevant within the Group's strategy, with specific regard to the agri-food sector;

- The Loan Management and Protection Division is responsible for the performance and credit quality of loans that show early warning, as per the adopted early-warning indicators, in order to pursue full recovery of the position and/or to design risk mitigation solutions.
- The Credit Advisory Division is responsible for the performance and quality of both "performing loans" and "loans with early warnings" originated by the Network: it is structured in local hubs in accordance with a proximity banking logic and to support Retail branches, specifically focusing on customers whose needs are not complex;
- The Credit Intelligence Division is responsible for supporting the Credit Department in defining the Credit strategic guidelines and in putting them in operation, with specific regard to Lending Policies, to the governance of apps and of the reporting system, to directing and monitoring projects the Credit Department is directly responsible for, as well as to loan performances.

The UTP Management Division is responsible for managing the UTP portfolio and reports directly to the Deputy General Manager in charge of Corporate Banking.

The Division is engaged in a management function and in a strategic one, with the respective activities carried out by two Services:
- The UTP Management Service, which is engaged in the management and has the specialist responsibility for the credit quality of the UTP portfolio;
- The NPE Strategy Service which is responsible for controlling the cost of credit, updating and monitoring the NPE strategy, as well as for the related reporting to the Control Bodies and to the Supervisory Authorities.

The similar structure of Crédit Agricole FriulAdria reports on a dotted line to the UTP Management Division.

2.2 MANAGEMENT, MEASUREMENT AND CONTROL

Lending policies and strategies

Lending policies set down the standards and directions for the Banking Group as a whole, which the Distribution Network and the Decision-making Bodies shall comply with to authorize and manage loans, to make lending proposals and decisions; lending policies are structured and updated in order to foster balanced growth with the worthiest Customers and to recover exposures to the riskiest ones. The Group's Lending Policies are regularly updated consistently with the developments in the economic, financial and market scenarios. Furthermore, the Lending Policies implement the guidelines set within the Risk Strategy, which is agreed on every year with the Parent Company Crédit Agricole S.A., with specific regard to risk concentration limits and to the limits set for specific types of transactions.

Lending policies are differentiated based on the categories of Customers:
- Businesses;
- Individuals.

The Lending Policies for Businesses, designed based on counterparty risk and the on the riskiness of the economic activity sectors, pursue the following objectives:
- To set the credit risk management strategy based on the specific creditworthiness;
- To set appropriate management guidelines in accordance with the risk profile and the growth prospects of the economic activity sector the customers operate in.

The Lending Policies for Individuals apply to Natural Persons (holders or co-holders of accounts) operating for purposes other than business ones and are structured based on counterparty risk and on the type of lending product applied for (especially home mortgage loans).

In 2019, the Lending Policies were updated pursuing the following goals:
- To revise the system of limits and decision-making powers aimed at its streamlining and at making it more consistent with the risk appetite and Risk Strategy targets;

- To further differentiate directions consistently with the specificities of the single sectors, counterparty type and credit facility type, with special focus on designing specific policies for structured finance transactions (i.e. leveraged buy-outs – LBO);
- To revise the metrics used to measure sector riskiness and full integration of external sector outlooks in order to further fine-tune the forward-looking attractiveness level.

These Policies are integrated within the decision-making system of the Electronic Loan Application Processing tool, which screens loan applications and sends them to the competent Decision-making Body, consistently with the decision-making powers system in force.

Corporate Social Responsibility (CSR) and Environmental Social Governance (ESG) standards are an integral part of creditworthiness assessment. In that scope, in 2019 the first sustainability-linked loan was originated and granted to a leading player in the luxury goods industry. In that case, the Sustainability Term Loan has introduced a rewarding mechanism that links the cost of the loan to the achievement of ambitious sustainability goals (number of points of sale with Gold or Platinum LEED certification, number of hours of training provided to employees; use of Re-Nylon).

Lending processes

The present economic scenario requires the ability to select initiatives that deserve support in terms of lending, along with timeliness and effectiveness in monitoring and proactively managing risk exposures, as soon as the first early warnings are detected, in order to protect the overall credit quality of the loan portfolio and to keep the related management costs under control.

Lending processes are thoroughly defined and regulated by the internal procedures of the Crédit Agricole Italia Banking Group, in order to ensure adequate selection of borrowers, through exhaustive creditworthiness analyses, and, thus, to develop and support business with the most creditworthy Customers, while anticipating the management of any insolvency risk.

The Process for loan assessment and authorization uses the Internal Rating systems used by the Crédit Agricole Italia Banking Group, both to assess Customers' creditworthiness and to identify the Decision-making Body that has the responsibility and power to decide on the loan authorization.

The "Regulation on Performing Loans and Loans with Early Warnings" lays down the rules governing the authorization of loans to all applicants, in compliance with the regulations on corporate groups, and sets out the logics that have always guided credit risk assessment, namely:
- Classifying transactions based on their intrinsic riskiness, consistently with the set risk appetite;
- Structuring of authorization power brackets based on counterparty risk, in accordance with the internal rating systems used within the Crédit Agricole Italia Banking Group;
- Decision-making powers that are scaled up as the customer riskiness increases;
- Separation between the loan proposing structure and the body deciding on the loan authorization.

Furthermore, the "Regulation on Performing Loans and Loans with Early Warnings" sets out the characteristics of the loans that fall within the "Loans with early warnings" perimeter, as they show irregularities in their performance, which, if not fully solved, could lead to the deterioration of the risks taken by the Bank. The tool used to identify these loans and to trigger the appropriate management processes is the early warning indicator (EWI) called Indicatore di Monitoraggio Andamentale (Performance Monitoring Indicator – IMA), which has been defined and is maintained in the functional requirements by the Risk Management and Permanent Controls Department, with the contribution given by the Credit Department.

The operation of the internal lending processes of the Crédit Agricole Italia Banking Group is outlined below.

The loan-granting process in force uses the risk assessment metrics based on the internal rating systems and sets the lending decision-making powers based on the Probability of Default assigned to the counterparty, which is reassessed at least once a year, as well as on the riskiness of the specific technical forms, also considering whether there are certain and enforceable guarantees. Therefore, the Group is fully compliant with the regulatory requirements on the use of the same tools and risk measurement techniques in loan authorization processes, in the measurement of the counterparties' creditworthiness and in the process to determine economic capital and capital requirements.

The loan authorization process is managed by the Company Information System, within the scope of a specific procedure ("Electronic Loan Application procedure – PEF"). In 2019, the activities continued for a specific project, which started in 2018, to develop a new Work flow, with the objective of strengthening the governance of loan authorization processes, as well as of enhancing their overall effectiveness and efficiency. The new tool is going to go live by the end of 2020.

In 2019, in cooperation between the Organization, Credit and Commercial structures, the activities for the development of tools and processes tailor-made for specific customer segments featuring high "manufacturing vocation", in order to increase the efficiency of analysis and assessment activities while improving both response time ("time to yes") and the quality of the lending decisions made:

- Full end-to-end integration of loan application processing, authorization and finalization of mortgage loans to individuals and the related supporting apps (Mortgage Loan Tool, the New Electronic Loan Application procedure (PEF) Assets and Mortgage Collaterals), pursuing industrialization of management workflows;
- Specific tools for the Retail SMEs segment, for both loan application processing and for loan authorization in case of non-complex needs ("Simple Credit"), which are fully integrated within the Electronic Loan Application Procedure app, as well as for supporting the acquisition of prospects featuring high potential and risk profiles that are consistent with the Group's risk appetite;
- New management workflow for current accounts and payment instruments, in order to control positions that are overlimit by small amounts.

The development and go-live of the aforementioned tools and processes are expected starting from 2020, within the Group's overall investment plan.

After the first loan authorization and, therefore, after the start of the lending relation, the borrowers' positions are subject to a periodic review process, within set limits and upon reporting and/or at the initiative of the structures concerned, both peripheral and central, in order to verify that the borrower and the relevant guarantors, where any, remain solvent, that they are able to generate cash flows adequate for debt servicing and that the requirements of any guarantees remain complied with (legal certainty, prompt realization and value consistency with the exposure).

The review of the borrower position shall lead to confirming, increasing or decreasing the loans granted or to their revocation in compliance with the contract provisions and/or to increasing the guarantees securing the exposure. Moreover, in some cases, the review of the loans is automatic, after assessing suitable and pre-set requirements in terms of counterparty riskiness, which shall be at modest levels.

In order to improve the quality of loan-authorization and loan-review processes, the "Expert System" shall apply to all Business Accounts. This tool supports the account manager in the loan application processing phase and is used to analyze and comment the Customer's income and financial situation, also forward-looking, as well as to make suggestions for further assessment, in order to provide the account manager with guidance in the talks with the representatives of the customer businesses.

The process for the monitoring and management of loans showing early warnings is steered by early warning indicators (the Performance Monitoring Indicator – IMA) that are updated on a monthly basis. This process has been fine-tuned over time in order to more accurately distinguish actual risk signals from the so-called "false alarms" and practical and prompt intervention lines are set, by which:

- The counterparties showing early warnings due to temporary difficulties can be restored to a performing status and, thus, the business relation can be retained;
- The exposures to counterparties showing structural non-performing signs can be reduced and/or mitigated and, thus, credit risk can be controlled;
- The combination of credit risk and profitability can be reviewed by amending the conditions applied.

The process for monitoring and managing loans with early warnings is also supported with a dedicated procedure, called "Electronic Management Procedure" or with the Italian acronym "PEG"; it is structured in well-defined process steps, with automatic workflow logic but with the possibility for the relevant staff to act on the strategies and action plans, in accordance with very clear roles and responsibilities. Thanks to the PEG procedure, the guidelines on loans showing early warnings have a single and clear direction, thus fostering harmonization of account managers' conducts, the monitoring of time frames and outcomes of the implemented actions, as well as adequate tracing of the management actions carried out on the single positions.

Development, management and updating of Models – Roles and responsibilities

The process for the development, management and updating of the models, consistently with the guidelines issued by Crédit Agricole S.A., consists in the activities and procedures aimed at defining, at the initial stage, or at later updating the rating models that apply to loan exposures, that is to say, statistical models that have been designed to support credit assessment and to allow the capital requirements to be calculated in terms of risks of unexpected losses for the Crédit Agricole Italia Group.

The models for the measurement of risk parameters aim at achieving – for both reporting and management purposes – risk measures that are:

- Fit to grasp the key elements at the basis of assessment of the creditworthiness of the parties with whom the Group has or intends to assume loan exposures;
- Relatively stable over time over time in order to reflect at all times and in every Customer segment, long-term riskiness (measured by the rate of default) of the Group's exposures, both present and potential;
- Fit to prevent uncontrolled growth of risk in the positive cycle phases and – as a reaction – indiscriminate crunch in lending in negative phases (reverse cycle).

The function responsible for the development, management and updating of the models is the RAF, Models and Reporting Division, which is part of the Risk Management and Permanent Controls Department.

Specifically, the RAF, Models and Reporting Division is responsible for the development of internal rating models and of the LGD model, for the Crédit Agricole Italia Banking Group as a whole, ensuring compliance with the regulatory requirements provided for by the National and European Regulators, with the guidelines issued by the French Parent Company and constant alignment to the international best practices. Moreover, this Division is responsible for producing documentation on the structuring and operating details of the adopted models, especially of the rating system, formalizing the features and methods adopted, as well as any alterations in the components and overall structure of the model, setting forth the reasons for such alterations.

In 2014, the Model Development Service issued a Model Development Policy, which was approved by the Board of Directors of the Parent Company and adopted by the Boards of Directors of the other Banks of the Group. This Policy, which was updated in 2018 and approved by the Board of Directors of the Parent Company, defines the "guidelines" for the development and maintenance of the systems for internal measurement of risks, valid for all the entities in the Crédit Agricole Italia Banking Group and describes the processes through which the Model Development Service periodically assesses/updates the internal systems for the measurement of Basel first and second Pillar risks.

Moreover, all the internal models used by the Crédit Agricole Italia Group are submitted for approval to the "Comité Normes et Méthodes" of the Parent Company Crédit Agricole S.A., are internally validated by the Validation Service of Crédit Agricole Italia and are subject to the Internal Audit activities carried out by the IGL (Inspection Générale Groupe) Department of Crédit Agricole S.A.

Within its activities for the monitoring and maintenance of the existing models, in 2019 the Model Development Service worked on the main projects listed below:

- The updating of the LGD internal models for the Retail portfolio, in order to upgrade the measurement of Basel parameters to the changed recent macroeconomic conditions, to streamline and optimize the operation of the models currently in use and to supplement them with the expectations in terms of methods and approaches as laid down in the EBA Guidelines. Worth specific mentioning is the recalibration of internal models in order to upgrade them to the new definition of default, which was reconstructed in a test environment pending the availability of the "real default data" currently being collected in accordance with the specific project;
- The go-live of the new implementations regarding the ANADEFI rating system, used for Corporate Banking customers, based on the guidelines and tools supplied by the Parent Company Crédit Agricole. The implemented actions aimed at upgrading the internal information systems and organizational structures to

fully align the rating and its validation as performed within the Crédit Agricole Italia Group to the CASA Group's standards;

- The calculation, on a quarterly basis, of IFRS9 collective impairment, using methods and models that have been developed in close coordination with the Parent Company Crédit Agricole S.A. and that cover updated macroeconomic development scenarios;
- The performance of the internal stress test exercises provided for in the Stress Testing Policy approved by the Board of Directors on 26 March 2019 in line with CASA.

In 2020, the main projects will concern:

- The completion of the activities for the go-live of the updates to the LGD, CCF and rating models for the Retail portfolio. Specifically, actions are going to be required to prepare the Application Package for Material Model Change to be sent to the ECB in the first half of 2020, to pass the Internal Validation and ECB reviews, to assess, jointly with the relevant function holders, the impacts of the new models on the Group's processes and systems;
- The review of the satellite model used to condition the PD parameter to set macroeconomic scenarios and the continuation of the project on the estimate of the satellite model for the LGD parameter. Those projects will allow the Model Development Service to use advanced and up-to-date tools to calculate collective impairment in accordance with IFRS9 and to run stress simulations on more sophisticated models (e.g.: EBA Regulatory Stress Testing process, stress budgetaire process, …).
- The contribution to the calculation of the EBA 2020 stress test. As usual, this exercise will aim at assessing the resilience of the entire Crédit Agricole Group in a baseline and in an adverse scenario. This project, carried out in coordination with the Parent Company CA.sa., will involve various operating and management units of the Crédit Agricole Italia Banking Group for most of the first half of 2020.
- The internal stress testing exercises provided for by the Stress Testing Policy that will be submitted again to the Board of Directors in the first months of 2020.

Cost of credit

The Crédit Agricole Italia Banking Group continued and strengthened its systematic control on the developments in the quality of the Loans-to-Customers Portfolio; specifically, it intensified monitoring on loan positions and made it even more selective, in order to ensure constant adequacy of recovery expectations in accordance with any changes affecting its counterparties.

The UTP Management Division is the owner of the process to determine, manage and monitor the cost of credit and ensures its overall consistency and all controls within the wider scope of oversight on the strategy for managing "Non-performing Loans", the new management process and the related controls. The new management process comprises all the steps in the management of the cost of credit, from setting objectives within the NPE Strategy to verifying actual results, with the involvement of all the structures concerned.

The NPE Strategy Service within the UTP Management Division is responsible for progressive updating of the KPIs set out in the NPE Strategy and for reporting to the NPE Committee in order to define strategies and target KPIs.

Stress test

The credit risk monitoring strategy pursued in 2019 was fully consistent with that pursued in the previous year. The related controls were performed on all channels, focusing on the Corporate Banking Channel (SME/Mid and Large Corporate segments) and on Retail Banking Channel (Small Business and Individuals segments), as well as on CALIT; also in 2019, the Real Estate portfolio was monitored with special care.

For each segment, specific indicators have been implemented, which are fit to assess the portfolio quality performance, to prevent risks resulting from the channel specific activities and to monitor risk diversification in loans and target thresholds on the ratings distribution over the loan portfolio.

The framework of thresholds and indicators for leveraged loans, which has already been set for the Leveraged Buy-Out (LBO) and Structured Loans for Acquisitions (SLfA), was completed in 2019 by setting a new threshold applying to Corporate banking contracts for Leveraged Loans (CLL).

Moreover, in order to define a reference framework for Stress Test exercises on the different risk scopes consistently with the guidelines issued by the Controlling Company Crédit Agricole S.A., since 2017 the Crédit Agricole Italia Banking Group has been implementing a specific policy (the Stress Test Policy), which was approved by the Board of Directors of Crédit Agricole Italia and then adopted by all the Companies of the Group. The Stress Test policy is updated and submitted to the Board of Directors for its validation on a yearly basis.

The Policy lays down the quantitative and qualitative techniques with which the Group assesses its vulnerability to exceptional but plausible events; they consist in measuring the impacts on profit or loss, on its financial position and on regulatory aspects generated by specific events (sensitivity analysis) or by combined changes in a set of economic and financial variables in adverse scenarios (scenario analysis). The policy lays down the stress test reference framework of the Crédit Agricole Italia Banking Group, as required by the new regulations issued by the Supervisory Authorities and defines the set of stress test exercises to be carried out in the year.

In 2019 the Group carried out the stress testing activities listed below:
- Stress testing on the budget and on the MTP (Budgétaire Stress Test). This exercise, which operated across the various corporate divisions engaged in risk measurement and management, allowed a forward-looking analysis of the impact on the Income Statement main variables.
- The “Habitat” and “Agri-Pro” stress test exercises, aimed at assessing the impacts of adverse scenarios on the cost of credit and on risk-weighted assets for two specific sub-portfolios: exposures backed by residential real estate properties and exposures to small sole traders and farmers.

The estimated effects of the economic cycle on the PD allow future developments in Risk Weighted Assets and Expected Loss to be calculated by aggregation level, with the possibility to simulate and calculate separately the impacts in terms of changes in volumes and increase in risk. Moreover, as reported in the section on projects, the outcomes of the stress test exercises are taken into account within the definition and management of the Risk Appetite Framework.

Within the Internal Capital Adequacy Assessment Process (ICAAP), the Pillar II requirements were calculated in accordance with the methods defined by the Parent Company Crédit Agricole s.a., which, as regard credit risk on the Retail portfolio, provide for the calculation of RWAs and thus capital requirements using point-in-time risk parameters consistently with the IFRS9 framework deployed to calculate impairment on performing loans.

The requirements stressed for credit risk, as expected by the Bank of Italy within the ICAAP, are calculated supplementing the ICAAP with the results obtained in the stress budgétaire exercise.

2.3 METHODS TO MEASURE EXPECTED LOSSES

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, coordinated by the 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. Credit risk is assessed using a forward-looking 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.

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

As already pointed out, these parameters have also been defined broadly based on the internal models used as part of the regulatory framework (where any), although they had to be adjusted in order to determine an ECL fully compliant with IFRS 9. Indeed, the standard requires a Point-in-Time analysis as at the reporting date, while taking account of the historical loss data and forward-looking macroeconomic data.

Therefore, based on the above, the accounting approach is different from the prudential framework, where analyses are multiyear and Through the Cycle to estimate the Probability of Default (PD); moreover, such analyses shall include the downturn in the estimate of the Loss Given Default (LGD), whereas this effect is not envisaged in the IFRS 9 LGD.

ECLs are calculated according to the type of product concerned, i.e. financial instruments or off-balance sheet instruments.

Expected credit losses are discounted at the Effective Internal Rate (EIR) determined upon initial recognition of the financial instrument.

The models and parameters used are backtested at least annually.

Multi-scenario calculation

To estimate the parameters used in calculating the forward-looking scenarios as at the end of 2019, consistently with the setting that has been followed since the first implementation, the weights applied to the forward-looking scenarios are those given by Crédit Agricole s.a. ECO structure, specialized in macroeconomic studies, and are the following:

- Baseline Scenario, 60%;
- Adverse Scenario, 25%;
- Stress Budgétaire Scenario 10%;
- Favorable Scenario, 5%;

In compliance with IFSR 9, the ECL is estimated weighting forward-looking scenarios; therefore, the various scenarios were weighted by their probability of occurrence, as given above. The favorable scenario accounts for a minority component of the macroeconomic outlook forecast; therefore, expectations lean more towards a conservative view of the economic situation, the adverse scenario and the Budget Stress (so-called Budgétaire) scenario, which entail a total weigh of 35%.

The main macroeconomic indicators taken into account to define the scenarios help in getting a clearer view of the forecasts made by ECO.

	Main macroeconomic indicators for 2020			
	Favorable	Central	Adverse	Adverse (bdgt.)
IT GDP	1,0%	0,4%	-0,1%	-0,3%
EU GDP	1,6%	1,2%	0,5%	0,4%
Industrial Production Index (IPI)	2,2%	1,5%	1,2%	-0,9%
Investments in constructions	3,0%	2,4%	2,0%	1,8%
Investments in equipment	1,9%	1,8%	-2,0%	-2,2%
Public expenditure	0,4%	-0,4%	-0,4%	-0,4%

The main underlying assumptions are:

- For the favorable scenario, a de-escalation in the China-US trade war, the Italian government bond spreads getting back to normal, stronger growth both in Italy and in Europe driven by a recovery in investments;
- For the central scenario, continuing tensions between China and the US, with subsequent growth slowdown in Europe and growth rates close to zero in Italy;
- For the adverse scenario and the adverse (budget) scenario, a more marked escalation in international trade tensions, social tensions in France political instability in Italy fuelling uncertainty that discourages investments.

Scenario sensitivity analysis

The Crédit Agricole Italia Banking Group analyzed the sensitivity of the ECL estimate in accordance with the weights applied to the different macroeconomic scenarios given by the Crédit Agricole SA Group's ECO team, specialized in macroeconomic studies, which is reported in the "Multi-scenario calculation" paragraph under "Impairment for credit risk".

The highest weighting was associated with the different identified scenarios (i.e. favorable, central, adverse and adverse-budgétaire), each time zeroing the contribution given by the others to determining the forward-looking risk parameters and in this way assessing the marginal contribution given by each scenario to determining the final result.

The table below summarizes the application of the observed changes to the analysis outcomes as at 31 December 2019 for the CAI Group and shows also the range of values that can be obtained with the above-described sensitivity analysis.

€/mln	Exposure	ECL				
		Multi-scenario	Sensitivity analysis: ECL by single scenario			
			Favorable	Central	Adverse	Adverse (bdgt.)
Data	66,819	263	246	256	271	280
Deviation			-6%	-3%	3%	6%

Therefore, the table reports an ECL figure of Euro 263 million, calculated in accordance with the weighting of the different scenarios (the so-called Multi-scenario), based on the weights given by the ECO team of the Parent Company Credit Agricole s.a. and used to calculate the accounting ECL. Please, see Part A of the Note to the financial statements, "Accounting Policies", paragraph "Multi-scenario calculation", for more exhaustive information.

Furthermore, it reports the result of the sensitivity analysis on ECL in accordance with the simulated scenarios and the related percentage deviation from the "multi-scenario" used for the accounting ECL, which can range from Euro 246 million in the favorable scenario (down by 6%) to Euro 280 million in the adverse scenario used for budget simulations (up by 6%). The Euro 263 million figure is placed at the centre of the interval, substantiating the preponderance of the central/adverse component.

2.4 CREDIT RISK MITIGATION TECHNIQUES

Within the Crédit Agricole Italia Banking Group, the mitigation of credit risk is pursued by entering into ancillary agreements or by adopting adequate tools and techniques designed to mitigate this risk.

Specific processes regulate the obtainment and management of guarantees, with clear definition of the relevant roles, responsibilities and controls. Close attention is paid to the adequacy of the rules and procedures for monitoring that the requirements of the guarantees remain complied with (legal certainty, prompt realization and value consistency with the exposure).

The standards for the appraisal of real estate properties securing the exposures of the Crédit Agricole Italia Banking Group, as laid down in the «Policies on the Valuation of Real Estate Properties Securing Exposures», are compliant with the Guidelines issued by the Italian Banking Association (ABI) in force at the relevant time and prepared in accordance with the recent regulatory principles "International Valuation Standards" (IVS) and "European Valuation Standards" (EVS).

In 2019, the Policies were revised in order to ensure full harmonisation of processes between the companies of the Group and to strengthen the related controls. The main changes resulting from this revision are:

- Full alignment to the «Policies on the Valuation of Real Estate Properties Securing Exposures» issued by the Italian Banking Association (ABI) in November 2018;
- Fine-tuning of the valuation method, which now provides for the entering of the minimum and maximum price figures published by the Real Estate Market Observatory of Agenzia delle Entrate, where available;
- Strengthening of the annual real estate surveillance process, defining types of valuation and frequency based on the type of exposure and property;

- Controls on compliance with the criteria laid down in the ABI Guidelines were extended to real estate valuations in the annual surveillance perimeter, setting precise standards for sample extraction;
- CALIT's «Policies on Real Estate Valuation» were updated, for further harmonisation of processes across all the Companies of the Group.

In 2919, the project for the development of a new app also started; with the new app, the processes of qualification and valuation of property collateral will be managed automatedly through a single workflow, a single repository of all collaterals containing all the related information, thus allowing users to share the information set in real time, with considerable savings of time and operating costs.

3. Non-performing loans

The UTP Management Service, part of the UTP Management Division, is responsible for managing non-performing exposures classified as Unlikely to pay (UTP).

This Division in in charge of out-of-court collection and/or full recovery of the exposures it manages, excluding the positions within the scope of outsourced collection services, consistently with the NPE strategy.

The Division manages relations with the Customers falling within its scope of responsibility with the objective of collecting the credit claims of the Crédit Agricole Italia Banking Group, promptly implementing all actions that are deemed the most suitable and effective towards borrowers.

In addition to periodic specific measurement of the recovery rates, the management of non-performing positions aims also at:

- Verifying whether the counterparty is capable of recovering financial health and, consequently, restoring the business and loan relationship. To this end, the Division is responsible for determining the scenario for collection forecast, specifically assuming the counterparty as a going concern (i.e. the exposure can be repaid with the cash flows generated by the counterparty as a going concern) or assuming the counterparty as a gone concern where the exposure can be collected only through the assets securing it as collaterals);
- Scheduling and monitoring loan workout plans agreed with Customers;
- Proactive participation in interbank work groups for debt restructuring and assessment of the proposed plans.

The Bad Loans Division is responsible for the management of non-performing exposures classified as "bad", through the two Services it comprises: The Bad Loans Management Service and the Reporting and Monitoring Service.

The mission of the Bad Loans Division is protecting and enforcing the credit claims of the Bank and of the Leasing Company against borrowers that are insolvent, in accordance with the NPE Strategy.

This mission is pursued managing bad exposures as follows:

- Implementing all possible actions in court and out of court, in order to achieve the best possible compromise between the highest possible collection and the shortest time to collection on these exposures;
- Ensuring organic management of all information on the most likely forward-looking repercussions on the income statement through the recognition of provisions for risks and allowances for losses on loans;
- Preparing and then updating, based on harmonized and standardized approaches, collection forecast in terms of probable collected amount and expected collection date, as well as conservative measurement of the existing guarantees and of those that can be reasonably be obtained in court.

3.1 MANAGEMENT STRATEGIES AND POLICIES

In accordance with the "Guidance to banks on non-performing loans" published in March 2017 by the European Central Bank (ECB), the Crédit Agricole Italia Banking Group designed its strategy for the management of non-performing loans, "Group 2018-2021 NPE Strategy", with the planning of the related KPIs, such as the weight of NPEs, the riskiness of the performing loan portfolio, the effectiveness of NPE recovery and the coverage ratio of the NPL portfolio.

The design of the NPE Strategy has provided for the following approach:

- Breakdown analysis of the loan portfolio and of the performance historical data of NPE management and collection by the Crédit Agricole Italia Banking Group;
- The positioning benchmark of the Crédit Agricole Italia Banking Group in the target market as regards KPIs (NPE Ratio, Coverage Ratio, Cost of Risk);
- Identification, based on the aforementioned analysis, of action drivers to strengthen the performances of the Crédit Agricole Italia Banking Group in terms of credit quality protection and improvement:
  - Management actions on the “loan recovery machine”;
  - Initiatives aimed at increasing the NPE coverage ratio;
  - NPE deleveraging initiatives through tools and actions already developed by the Group (NPE sales on a portfolio and single name basis) also in order to reduce the average vintage of the NPE portfolio.

In 2019, the Group adopted its “Non Performing Exposures (NPE) – STAGE 3” Policy, which systematizes the entire regulatory framework as regards NPEs, thus with the objective of revising and condensing in one instrument the internal rules for the identification, classification, management, assessment and recognition of non-performing exposures (NPE) , within essential continuity of management and assessment criteria (pending the entry into force of the forthcoming developments in the applicable legislation on the new definition of default).

Specifically, the Policy sets out the internal normative instruments for the assessment of Past Due, UTP and Bad Loans and, for each category, it governs the following scopes:

- Identification and classification methods;
- Criteria to determine statutory impairment writedowns to be applied upon entry in that category;
- Discount rules to determine the present value in accordance with the estimated recovery plan;
- Assessment method and criteria during the time of stay in that category;
- Conditions and methods for exit with migration between NPE categories.

For information on the technical-organizational procedures and on the methods used to manage and control the NPE portfolio, please, refer to the Note to the Financial Statements – Part A – Accounting Policies, section A.2 Part reporting on the main financial statement items “Impairment for credit risk”.

At the end of 2019, the set objectives in terms of reduction of the NPE portfolio were achieved, in accordance with the NPE Strategy. As at 31 December 2019, total non-performing loans amounted to €3,681Mln, vs. €5,060Mln as at 31 December 2018. This contributed to the achievement also of the target gross NPE ratio (7.1% vs. 7.6% at the end of 2018) and the target net NPE ratio (3.5% vs. 3.8% as at 31 December 2018).

3.2 WRITE-OFF

The Bad Loans Management Division writes off bad loans after full recovery of the exposure or resumption of its amortization.

Furthermore, bad loans are written off with loan waiver subsequent to:

- Unilateral remission of the residual amount due, within authorized and executed settlement;
- Loan disposal.

Conversely, bad loans are written off also without loan waiver subsequent to:

- Loan uncollectibility, as proved or inferred, including the implementation of all possible affordable actions;
- Very marginal possibilities of collection.

In this case, the loan is fully or partially written off. These loans are written off in order not to keep, on the Balance Sheet, loans that, although still managed by the structures in charge of collection, are hardly likely to be recovered. The positions to be subject to this treatment must be identified – through a judgemental analysis- from among those that have both high vintage and high coverage.

3.3 PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI) ASSETS

As regards the accounting treatment of these assets and the related reporting, please refer to “A.2 – Part reporting on the main financial statement items”.

4. FINANCIAL ASSETS SUBJECT TO COMMERCIAL RENEGOTIATION AND EXPOSURES SUBJECT TO FORBEARANCE

As regards the accounting treatment of these assets and the related reporting, please refer to “A.2 – Part reporting on the main financial statement items”.

Forborne exposures are those for which “concessions” have been granted to a borrower that is experiencing or is about to experience difficulties in fulfilling his/her/its financial commitments (“financial difficulty”).

Concessions consist in the following measures:
- Changes in the terms/conditions of an existing contract as regards which the borrower is not deemed able to comply with the set payments due to financial difficulties, which would not have been granted if the borrower had not been in financial difficulties;
- Total or partial refinancing of an existing contract as regards which the borrower is not deemed able to comply with the set payments due to financial difficulties, which would not have been granted if the borrower had not been in financial difficulties.

Starting from the definition given by the EBA in its “ITS” and following the guidelines issued by its Parent Company CASA, the CAI Group defined an internal algorithm whereby forborne exposures can be identified, also setting apart performing from non-performing ones.

While the CAI Group uses a “by counterparty” approach to classify non-performing exposures, it classifies forborne positions with a “by individual credit facility” approach. An exposure shall be classified as forborne when:
- The counterparty is classified as performing at the time of contract modification and there were contractual repayment instalments s totally or partially past due by over 30 days at least once in the three months before its modification. The contracts meeting these features are classified as “forborne performing – probation period” and they are no longer considered forborne when all the conditions listed below are complied with:
  - The contract is considered performing;
  - At least two years have passed since the start of the probation period;
  - Regular payments were made for a more than considerable portion of the principal/interest due during at least one half of the probation period;
  - No one of the exposures to the same borrower is past due by more than 30 days at the end of the probation period.
- The counterparty is classified as defaulted at the time of contract modification. The contracts with a counterparty that is classified as non-performing at the time of contract modification are classified as “forborne non performing – cure period” for at least one year and kept in the Unlikely-to-Pay status. The contract shall be classified “forbearance performing – probation period” when all the following conditions are met:
  - At least one year has passed since the start of the cure period;
  - There are no late payments;
  - The counterparty has returned fully able to fulfil its credit obligations.

Having said that contract modifications made for business reasons or contract modifications that were provided for in the original contract are not included in the forbearance perimeter, in order to assess whether any “concession” exists, the adopted approaches require that the existence of a concession is identified when:
- The amortization schedule regarding a loan is suspended or modified in its original duration;
- The loan has be renegotiated;
- Several credit lines granted to a counterparty are closed and consolidated in a new loan;
- A real estate mortgage loan based on the project progress which has been partially disbursed to a counterparty classified in the perimeter of real estate players has a pre-amortization period of over 36 months.

Furthermore, an exposure may be classified in the forborne perimeter on a judgemental basis where the algorithm does not automatically detect the contract modification or the financial difficulties experienced by the borrower. In the same way, the concessions automatically detected by the algorithm may be excluded on a judgemental basis, where the account manager believes that the classification in the forborne perimeter is not consistent with the contract modification made and/or with the customer's financial situation.

As at 31 December 2019, the stock of forborne exposures came to Euro 2.0 Bln of which 80.8% was backed by collateral (72.2% backed by mortgage). 36.8% of loans is classified in cure period, while the 63,2% in probation period.

The new forbearance measures for the year came to Euro 470 mln (23.2% of the total stock) of which 85.8% backed by collateral (76.1% backed by mortgage). 31.3% of the new forborne exposures were classified in their cure period, while the remaining 68.7% were classified in their probation period. Again as regards the new concessions for the year, 42.4% of the exposures were classified in the forbearance perimeter subsequent to loan suspension and rescheduling and 30.3% based on a judgemental assessment.

An analysis of exposures referring to forborne assets measured at amortized cost is given below, separately reporting performing and non-performing ones:

		Total
PERFORMING	Forborne Performing Exposures	587,382
DEFAULTED	Forborne Non-performing Exposures	1,421,351
	Total Forborne Exposures	**2,008,733**

QUANTITATIVE DISCLOSURES

A. Credit quality

A.1 PERFORMING AND NON-PERFORMING LOANS: AMOUNTS, VALUE ADJUSTMENTS, CHANGES TREND AND BREAKDOWNS BY BUSINESS SECTOR

A.1.1 Prudential consolidation – Breakdown of financial assets by past due bracket (book values)

	Stage 1			Stage 2			Stage 3		
	Up to 30 days	From over 30 days to 90 days	Over 90 days	Up to 30 days	From over 30 days to 90 days	Over 90 days	Up to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortized cost	516,839	39,139	437	334,867	87,539	83,334	45,399	15,341	1,317,675
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial assets being divested	-	-	-	-	-	-	-	-	-
Total 31 Dec. 2019	**516,839**	**39,139**	**437**	**334,867**	**87,539**	**83,334**	**45,399**	**15,341**	**1,317,675**
Total 31 Dec. 2018	**533,773**	**33,486**	**275**	**335,398**	**95,364**	**120,787**	**52,439**	**19,928**	**1,361,558**

A.1.2 Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees given: changes in total value adjustments and total provisions

Reasons/risk stages	Total adjustments																Total provisions for commitments to disburse funds and financial guarantees given			Total
	Stage 1 assets					Stage 2 assets					Stage 3 assets					Of which: POCI				
	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment		Stage 1	Stage 2	Stage 3	
Opening total adjustments	**89,226**	**2,895**	**-**	**-**	**92,123**	**192,806**	**-**	**-**	**-**	**192,806**	**1,931,210**	**-**	**-**	**1,930,544**	**-**	**-**	**5,120**	**9,536**	**22,598**	**2,253,391**
Increases from acquired or originated financial assets	25,100	-	-	-	25,100	13,578	-	-	-	13,578	11,420	-	-	11,420	-	-	1,894	4,708	388	57,088
Derecognized items other than write-offs	(25)	(580)	-	-	(605)	(374)	-	-	-	(374)	(115,764)	-	-	(115,764)	-	-	-	-	-	(116,743)
Net losses/recoveries for credit risk (+/-)	(23,922)	1,115	-	-	(22,807)	(45,232)	-	-	-	(45,232)	166,474	-	-	166,474	-	-	(1,443)	(5,631)	(1,903)	89,458
Contract modifications without derecognition	60	-	-	-	60	1,654	-	-	-	1,654	1,643	-	-	1,643	-	-	-	-	-	3,357
Changes in the estimate approach	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognized through profit or loss	(5,177)	-	-	-	(5,177)	(16)	-	-	-	(16)	(166,088)	-	-	(166,088)	-	-	-	-	-	(171,281)
Other changes	3,729	-	-	-	3,729	(5,807)	-	-	-	(5,807)	(1,283)	-	-	(1,283)	-	-	(213)	(1,235)	(165)	(4,974)
Total closing adjustments	**88,991**	**3,430**	**-**	**-**	**92,423**	**156,609**	**-**	**-**	**-**	**156,609**	**1,827,612**	**-**	**-**	**(2,034,142)**	**-**	**-**	**5,358**	**7,378**	**20,918**	**2,110,296**
Recoveries from collection on financial assets written-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognized directly through profit or loss	340	-	-	-	340	54	-	-	-	54	30,025	-	-	30,025	-	-	-	-	-	30,419

A.1.3 Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees issued: transfers between the difference credit risks stages (gross and nominal values)

Portfolios/risk stages	Gross values/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 3and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortized cost	1,201,475	972,805	253,182	41,238	117,186	31,115
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets being divested	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees issued	38,045	70,392	2,128	583	11,717	2,463
Total (31 Dec. 2019)	**1,239,520**	**1,043,197**	**255,310**	**41,821**	**128,903**	**33,578**
Total (31 Dec. 2018)	**987,706**	**801,400**	**334,307**	**63,246**	**197,884**	**61,518**

A.1.4 Prudential consolidation – On-balance-sheet and off-balance-sheet exposures to banks: gross and net amounts

Type of exposures/Values	Gross exposure		Total adjustments and total provisions for credit risk	Gross exposure	Total/partial write-offs (*)
	Non-performing	Performing			
A. ON-BALANCE-SHEET EXPOSURES					
a) Bad loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to Pay	4,074	X	611	3,463	-
- of which: forborne exposures	-	X	-	-	-
c) Past-due impaired exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Past-due not impaired exposures	X	-	-	-	-
- of which: forborne exposures	X	-	-	-	-
e) Other assets not impaired	X	4,742,810	2,740	4,740,070	-
- of which: forborne exposures	X	-	-	-	-
TOTAL A	**4,074**	**4,742,810**	**3,351**	**4,743,533**	**-**
B. OFF-BALANCE-SHEET EXPOSURES					
a) Impaired	6,241	X	751	5,490	-
b) Not impaired	X	1,275,561	895	1,274,666	-
TOTAL B	**6,241**	**1,275,561**	**1,646**	**1,280,156**	**-**
TOTAL A+B	**10,315**	**6,018,371**	**4,997**	**6,023,689**	**-**

* Value to be stated for disclosure purposes

A.1.5 Prudential consolidation – On-balance-sheet and off-balance-sheet exposure to customers: gross and net amounts

Type of exposures/Values	Gross exposure		Total adjustments and total provisions for credit risk	Gross exposure	Total partial write-offs*
	Non-performing	Performing			
A. ON-BALANCE-SHEET EXPOSURES					
a) Bad loans	1,859,129	X	1,256,758	602,371	1,181
- of which: forborne exposures	547,987	X	362,459	185,528	-
b) Unlikely to Pay	1,583,992	X	566,769	1,017,223	23,781
- of which: forborne exposures	986,520	X	332,094	654,426	-
c) Past-due impaired exposures	30,495	X	3,475	27,020	52
- of which: forborne exposures	1,080	X	64	1,016	-
d) Past-due not impaired exposures	X	1,098,609	36,455	1,062,154	-
- of which: forborne exposures	X	110,708	6,418	104,290	-
e) Other assets not impaired	X	51,934,218	209,828	51,724,390	724
- of which: forborne exposures	X	523,770	27,675	496,095	-
TOTAL A	**3,473,616**	**53,032,827**	**2,073,285**	**54,433,158**	**25,738**
B. OFF-BALANCE-SHEET EXPOSURES					
a) Impaired	61,301	X	20,167	41,134	-
b) not impaired	X	3,375,577	11,841	3,363,736	-
TOTAL B	**61,301**	**3,375,577**	**32,008**	**3,404,870**	**-**
TOTAL A+B	**3,534,917**	**56,408,404**	**2,105,294**	**57,838,028**	**25,738**

* Value to be stated for disclosure purposes

A.1.6 Prudential consolidation – On-balance-sheet exposures to Banks: changes in gross non-performing loans

Reasons/categories	Bad loans	Unlikely-to-Pay	Non-performing past due exposures
A. Opening gross exposure	-	-	-
- of which: sold exposures not derecognized	-	-	-
B. Increases	-	4,074	-
B.1 from performing exposures	-	-	-
B.2 from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	-	-	-
B.4 Contract modifications without derecognition	-	-	-
B.5 other increases	-	4,074	-
C. Decreases	-	-	-
C.1 to performing exposures	-	-	-
C.2 write-offs	-	-	-
C.3 collections	-	-	-
C.4 profits on disposals	-	-	-
C.5 losses on disposals	-	-	-
C.6 transfers to other categories of non-performing exposures	-	-	-
C.7 Contract modifications without derecognition	-	-	-
C.8 other decreases	-	-	-
D. Closing gross exposure	-	4,074	-
- of which: sold exposures not derecognized	-	-	-

A.1.7 Prudential consolidation – On-balance-sheet exposures to Customers: changes in gross non-performing loans

Reasons/categories	Bad loans	Unlikely-to-Pay	Non-performing past due exposures
A. Opening gross exposure	**2,003,316**	**1,635,482**	**42,616**
- of which: sold exposures not derecognized	-	-	-
B. Increases	**221,865**	**457,739**	**42,236**
B.1 from performing exposures	26,139	366,956	35,896
B.2 from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	175,914	38,188	491
B.4 Contract modifications without derecognition	-	-	-
B.5 other increases	19,812	52,595	5,849
C. Decreases	**366,052**	**509,229**	**54,357**
C.1 to performing exposures	5,997	53,399	4,009
C.2 write-offs	142,975	56,881	404
C.3 collections	97,718	157,547	15,059
C.4 profits on disposals	8,555	35,147	-
C.5 losses on disposals	9,189	4,649	-
C.6 transfers to other categories of non-performing exposures	253	179,542	34,797
C.7 Contract modifications without derecognition	-	1,643	-
C.8 other decreases	101,365	20,421	88
D. Closing gross exposure	**1,859,129**	**1,583,992**	**30,495**
- of which: sold exposures not derecognized	-	-	-

A.1.7 Bis Prudential consolidation – On-balance-sheet exposures to Customers: changes in gross forborne exposures broken down by credit quality

Reasons/Quality	Non-performing forborne exposures	Forborne exposures: performing
A. Opening gross exposure	**1,559,813**	**698,406**
- of which: sold exposures not derecognized	-	-
B. Increases	**288,234**	**351,078**
B.1 from non-forborne performing exposures	35,905	265,149
B.2 from forborne performing exposures	126,015	X
B.3 from forborne non-performing exposures	X	35,481
B.4 from non-forborne non-performing exposures	-	-
B.5 other increases	126,314	50,448
C. Decreases	**312,460**	**415,006**
C.1 to non-forborne performing exposures	X	173,724
C.2 to forborne performing exposures	35,481	X
C.3 to forborne non-performing exposures	X	124,481
C.4 write-offs	74,455	32
C.5 collections	110,448	85,075
C.6 profits on disposals	38,545	-
C.7 losses on disposal	6,261	-
C.8 other decreases	47,270	31,694
D. Closing gross exposure	**1,535,587**	**634,478**
- of which: sold exposures not derecognized	-	-

A.1.8 Prudential consolidation – On-balance-sheet exposures to Banks: changes in total adjustments

Reasons/categories	Bad loans		Unlikely to Pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening total adjustments	-	-	-	-	-	-
- of which: sold exposures not derecognized	-	-	-	-	-	-
B. Increases	-	-	611	-	-	-
B.1 adjustments of purchased or originated credit-impaired financial assets	-	X	-	X	-	X
B.2 other adjustments	-	-	611	-	-	-
B.3 losses on disposals	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	-	-	-	-	-	-
B.5 Contract modifications without derecognition	-	-	-	-	-	-
B.6 other increases	-	-	-	-	-	-
C. Decreases	-	-	-	-	-	-
C.1recoveries on impairment/writebacks	-	-	-	-	-	-
C.2 recoveries/writebacks from collections	-	-	-	-	-	-
C.3 profits on disposal	-	-	-	-	-	-
C.4 write-offs	-	-	-	-	-	-
C.5 transfers to other categories of non-performing exposures	-	-	-	-	-	-
C.6 Contract modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	-	-	-	-	-	-
D. Total closing adjustments	-	-	611	-	-	-
- of which: sold exposures not derecognized	-	-	-	-	-	-

A.1.9 Prudential consolidation – non-performing balance-sheet exposures to customers: changes in total adjustments

Reasons/categories	Bad loans		Unlikely to Pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance of overall adjustments	**1,370,074**	**358,012**	**556,568**	**325,358**	**4,568**	**1,103**
- of which: transferred but not derecognised	-	-	-	-	-	-
B. Increases	**193,639**	**63,054**	**234,664**	**146,259**	**3,863**	**63**
B.1 net impairment of purchased or originated financial assets	-	X	-	X	-	X
B.2 other value adjustments	125,418	34,967	180,215	108,004	2,731	4
B.3 losses on disposals	9,189	1,702	4,649	4,559	-	-
B.4 transfers from other categories of impaired exposures	57,598	22,411	3,703	1,585	324	-
B.5 modification gains/losses	-	-	-	-	-	-
B.6 other increases	1,434	3,974	46,097	32,111	808	59
C. Decreases	**306,955**	**58,607**	**224,463**	**139,523**	**4,956**	**1,102**
C.1 write-backs from valuation	37,234	7,897	56,163	35,344	388	16
C.2 write-backs from collection	14,452	5,871	16,934	11,560	352	22
C.3 profits on disposal	2,234	620	542	539	-	-
C.4 write-offs	141,230	31,527	56,602	42,523	404	-
C.5 transfers to other categories of impaired exposures	136	127	57,896	24,668	3,594	1,052
C.6 Contract modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	111,669	12,565	36,326	24,889	218	12
D. Total closing adjustments	**1,256,758**	**362,459**	**566,769**	**332,094**	**3,475**	**64**
- of which: transferred but not derecognised	-	-	-	-	-	-

Item c.7 Other decreases mainly reports, as to derecognized items other than write-offs, the amount equal to the difference between gross exposure and disposal price.

A.2 CLASSIFICATION OF EXPOSURES BASED ON EXTERNAL AND INTERNAL RATINGS

A.2.1 Prudential consolidation – Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by external rating grades (gross values)

Exposures	External rating grades						Without rating	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6		
A. Financial assets measured at amortized cost	**593,616**	**3,820,417**	**4,487,171**	**1,466,152**	**95,352**	**19,180**	**47,935,112**	**58,417,000**
- Stage 1	589,836	3,805,474	4,301,765	1,278,683	58,700	11,827	42,118,121	52,164,406
- Stage 2	3,780	14,486	171,431	151,606	28,583	6,088	2,398,929	2,774,903
- Stage 3	-	457	13,975	35,863	8,069	1,265	3,418,062	3,477,691
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**2,824,436**	**2,824,436**
- Stage 1	-	-	-	-	-	-	2,824,436	2,824,436
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
C. Financial assets being divested	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
Total (A+B+C)	**593,616**	**3,820,417**	**4,487,171**	**1,466,152**	**95,352**	**19,180**	**50,759,548**	**61,241,436**
of which: POCI	-	-	-	-	-	-	-	-
D. Commitments to disburse funds and financial guarantees issued	**115,776**	**1,005,516**	**716,806**	**306,054**	**232,167**	**5,076**	**1,143,489**	**3,524,884**
- Stage 1	107,740	1,004,816	700,452	290,281	222,158	3,366	1,019,548	3,348,361
- Stage 2	8,036	700	15,241	13,664	4,122	1,710	70,000	113,473
- Stage 3	-	-	1,113	2,109	5,887	-	53,941	63,050
Total D	**115,776**	**1,005,516**	**716,806**	**306,054**	**232,167**	**5,076**	**1,143,489**	**3,524,884**
Total (A+B+C+D)	**709,392**	**4,825,933**	**5,203,977**	**1,772,206**	**327,519**	**24,256**	**51,903,037**	**64,766,320**

The above breakdown by rating grades refers to measurements made by Cerved Group S.p.A. and DBRS (which are ECAI – External Credit Assessment Institutions – recognized by the Bank of Italy). The “Without rating” column reports exposures with counterparties for which ratings given by the two ECAIs are not available, and the relevant key is given in the table below:

Credit rating grade	“ECAI – Lince by Cerved Group”	DBRS
Grade 1		from AAA to AAL
Grade 2	from A1.1 to A3.1	from AH to AL
Grade 3	B1.1	from BBBH to BBBL
Grade 4	from B1.2 to B2.2	from BBH to BBL
Grade 5	C1.1	from BH to BL
Grade 6	from C1.2 to C.1	from CCCH to D

A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by internal rating grades (gross values)

Exposures	Internal rating grades				Without rating	Total
	from AAA to BBB+	from BBB to BBB-	from BB+ to B	from B- to D		
A. Financial assets measured at amortized cost	**9,773,786**	**15,583,045**	**10,031,018**	**4,259,117**	**18,770,034**	**58,417,000**
- Stage 1	9,739,829	15,497,282	8,914,844	186,545	17,825,906	52,164,406
- Stage 2	31,362	84,226	1,095,091	982,359	581,865	2,774,903
- Stage 3	2,595	1,537	21,083	3,090,213	362,263	3,477,691
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**2,824,436**	**2,824,436**
- Stage 1	-	-	-	-	2,824,436	2,824,436
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
C. Financial assets being divested	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Total (A+B+C)	**9,773,786**	**15,583,045**	**10,031,018**	**4,259,117**	**21,594,470**	**61,241,436**
of which: POCI	-	-	-	-	-	-
D. Commitments to disburse funds and financial guarantees issued	**690,449**	**1,185,754**	**702,687**	**107,440**	**838,554**	**3,524,884**
- Stage 1	690,343	1,175,693	675,599	18,577	788,149	3,348,361
- Stage 2	106	10,047	24,497	37,726	41,097	113,473
- Stage 3	-	14	2,591	51,137	9,308	63,050
Total (D)	**690,449**	**1,185,754**	**702,687**	**107,440**	**838,554**	**3,524,884**
Total (A+B+C+D)	**10,464,235**	**16,768,799**	**10,733,705**	**4,366,557**	**22,433,024**	**64,766,320**

The breakdown by rating grade given above refers to the Crédit Agricole Italia Banking Group's internal models. The "Without rating" column mainly shows exposures to Banks, Public Administration Bodies and Sovereign States, for which internal rating models are not available.

Excluding counterparties without rating, 64% of total counterparties fall within the Investment grades (from AAA to BBB-), whereas 25% falls within the BB+/BB grades and 11% in the B-/D grades.

It is pointed out that 94% of total "without rating" exposures refers to counterparties for which there is no internally-developed rating model: specifically, the highest portion regards banks and financial institutions (64%), followed by sovereign states (24%).

A.3 BREAKDOWN OF SECURED EXPOSURES BY TYPE OF GUARANTEE

A.3.1 Prudential consolidation – On-balance-sheet and off-balance-sheet secured exposures to banks

			Collaterals (1)					Personal guarantees (2)									
								Credit derivatives					Signature loans				
									Other derivatives								
	Gross exposure	Net exposure	Real estate - mortgages	Real estate - Lease loans	Real estate - Finance leases	Securities	Other collaterals	CLN	Central counterparties	Banks	Other financial companies	Other parties	Public administration bodies	Banks	Other financial companies	Other parties	Total (1)+(2)
1. Secured on-balance-sheet exposures:	351,751	351,591	-	-	-	-	-	-	-	-	-	-	350,396	821	-	351,217	702,434
1.1 fully secured	1,226	1,217	-	-	-	-	-	-	-	-	-	-	396	821	-	1,217	2,434
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	350,525	350,374	-	-	-	-	-	-	-	-	-	-	350,000	-	-	350,000	700,000
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Off-balance-sheet secured exposures:	189,890	189,883	-	-	-	-	-	-	-	-	-	-	188,075	-	-	188,075	376,150
2.1 fully secured	187,082	187,075	-	-	-	-	-	-	-	-	-	-	187,075	-	-	187,075	374,150
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	2,808	2,808	-	-	-	-	-	-	-	-	-	-	1,000	-	-	1,000	2,000
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Prudential consolidation – On-balance-sheet and off-balance-sheet secured exposures to customers

			Collaterals (1)					Personal guarantees (2)									
								Credit derivatives					Signature loans				
									Other derivatives								
	Gross exposure	Net exposure	Real estate - mortgages	Real estate - Lease loans	Real estate - Finance leases	Securities	Other collaterals	CLN	Central counterparties	Banks	Other financial companies	Other parties	Public administration bodies	Banks	Other financial companies	Other parties	Total (1)+(2)
1. Secured on-balance-sheet exposures:	38,279,229	36,859,582	24,347,115	918,826	209,016	1,859,508	-	-	-	-	-	551,967	4,229,283	479,638	2,719,481	35,314,834	70,629,668
1.1 fully secured	34,958,248	33,729,919	24,196,234	779,173	172,741	1,205,300	-	-	-	-	-	472,651	3,341,250	417,244	2,465,980	33,050,573	66,101,146
- of which non-performing	2,405,068	1,345,676	935,162	73,583	2,047	21,964	-	-	-	-	-	11,823	5,757	30,464	187,682	1,268,482	-
1.2 partially secured	3,320,981	3,129,663	150,881	139,653	36,275	654,208	-	-	-	-	-	79,316	888,033	62,394	253,501	2,264,261	4,528,522
- of which non-performing	300,567	124,920	23,609	25,584	1,573	13,876	-	-	-	-	-	1,637	1	6,285	18,951	91,516	-
2. Secured off-balance-sheet exposures:	891,551	763,296	237,828	-	33,236	180,802	-	-	-	-	-	15,334	7,849	36,144	313,696	824,889	1,649,778
2.1 fully secured	738,954	617,822	223,784	-	21,029	148,087	-	-	-	-	-	8,908	2,992	28,939	297,112	730,851	1,461,702
- of which non-performing	63,576	11,887	45,635	-	260	2,952	-	-	-	-	-	42	472	2,453	5,883	57,697	-
2.2 partially secured	152,597	145,474	14,044	-	12,207	32,715	-	-	-	-	-	6,426	4,857	7,205	16,584	94,038	188,076
- of which non-performing	13,442	9,624	5,591	-	2,010	228	-	-	-	-	-	-	2,705	12	780	11,326	-

In compliance with Bank of Italy Circular No. 262, 6th update, in the “Collaterals” and “Personal guarantees” columns, the fair value of the collaterals or guarantee is reported, estimated as at the reporting date or, where not available, its contractual value.

It is pointed out that, in compliance with the aforementioned 6th update, both the above values shall not be higher than the book value of secured exposures.

A.4 PRUDENTIAL CONSOLIDATION – FINANCIAL AND NON-FINANCIAL ASSETS OBTAINED THROUGH THE ENFORCEMENT OF THE RECEIVED GUARANTEES AND COLLATERALS

This item reports property, plant and equipment obtained subsequent to the termination of non-performing finance leases. Specifically, the item reports buildings and land, which were previously granted under finance leases and were returned to the Group subsequent to the termination of the related contracts and for which no credit claim remains towards the contractual obligors.

Exposures	Exposure written off	Gross value	Total adjustments	Book value	
					of which obtained in the reporting period
A. Property, plant and equipment:	**34,107**	**34,107**	**(2,237)**	31,870	**9,378**
A.1. Operating assets	-	-	-	-	-
A.2. Investment property	34,107	34,107	(2,237)	31,870	9,378
A.3. Inventories	–	-	-	–	-
B. Equity securities and debt securities	–	–	–	–	–
C. Other assets	–	–	–	–	–
D. Non-current assets held for sale and discontinued operations	–	–	–	–	–
D.1. Property, Plant and Equipment	–	–	–	–	–
D.2. Other assets	–	-	-	-	-
Total 31 Dec. 2019	**34,107**	**34,107**	**(2,237)**	**31,870**	**9,378**
Total 31 Dec. 2018	**24,660**	**24,660**	**(1,556)**	**23,104**	**6,573**

B. Breakdown and concentration of exposures

B.1 PRUDENTIAL CONSOLIDATION – BREAKDOWN BY BUSINESS SEGMENT OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS

Exposures/Counterparties	Public administration bodies		Financial companies		Financial companies (of which: insurance undertakings)		Non-financial corporations		Households	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance-sheet exposures										
A.1 Bad loans	-	-	2,308	9,961	3	16	415,113	1,048,182	184,946	198,600
- of which: forborne exposures	-	-	55	2,332	-	-	171,193	349,873	14,280	10,254
A.2 Unlikely to Pay	1	-	15,969	12,516	-	-	791,032	466,690	210,221	87,563
- of which: forborne exposures	-	-	12,580	9,543	-	-	529,361	290,712	112,485	31,839
A.3 Non-performing past-due exposures	5	-	20	6	-	-	14,552	1,673	12,443	1,796
- of which: forborne exposures	-	-	-	-	-	-	667	49	349	15
A.4 Performing exposures	7,865,559	11,021	5,435,754	10,491	249,431	191	15,871,877	130,795	23,363,923	93,785
- of which: forborne exposures	2,691	25	2,703	95	-	-	407,391	24,912	187,600	9,061
Total A	7,865,565	11,021	5,454,051	32,974	249,434	207	17,092,574	1,647,340	23,771,533	381,744
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	4	6	1,708	126	-	-	36,583	19,868	2,839	167
B.2 Performing exposures	17,524	16	226,708	1,164	35,689	78	2,830,382	7,001	253,433	3,582
Total B	17,528	22	228,416	1,290	35,689	78	2,866,965	26,869	256,272	3,749
Total (A+B) (31 Dec. 2019)	7,883,093	11,043	5,682,467	34,264	285,123	285	19,959,539	1,674,209	24,027,805	385,493
Total (A+B) (31 Dec. 2018)	8,141,957	9,063	6,034,110	37,779	288,091	403	19,801,381	1,748,022	22,968,111	454,895

On-balance-sheet exposures include loans as well as other financial assets, such as debt securities, with the exception of derivative contracts and equity securities.

Exposures associated to counterparty risk relating to transactions for lending or borrowing securities or goods are excluded.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees given, commitments, derivatives) for which credit risk is taken.

B.2 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF ON- AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS BY GEOGRAPHIC AREA

Exposures/Geographical areas	Northwest Italy		Northeast Italy		Central Italy		South and Insular Italy	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance-sheet exposures								
A.1 Bad loans	194,566	407,275	282,090	576,955	80,145	167,701	44,875	101,182
A.2 Unlikely to Pay	312,025	146,695	462,592	285,683	183,507	107,635	57,806	25,058
A.3 Non-performing past-due exposures	10,455	1,405	7,458	942	4,900	589	4,126	521
A.4 Performing exposures	19,638,418	84,954	16,273,793	96,594	14,025,130	46,914	2,245,022	14,264
Total A	**20,155,464**	**640,329**	**17,025,933**	**960,174**	**14,293,682**	**322,839**	**2,351,829**	**141,025**
B. Off-balance-sheet exposures								
B.1 Non-performing exposures	14,977	2,307	13,920	16,768	9,902	974	2,335	118
B.2 Performing exposures	1,222,292	1,527	1,465,858	8,737	514,103	1,021	91,981	256
Total B	**1,237,269**	**3,834**	**1,479,778**	**25,505**	**524,005**	**1,995**	**94,316**	**374**
Total (A+B) (31 Dec. 2019)	**21,392,733**	**644,163**	**18,505,711**	**985,679**	**14,817,687**	**324,834**	**2,446,145**	**141,399**
Total (A+B) (31 Dec. 2018)	**21,331,884**	**741,078**	**18,223,710**	**1,024,129**	**14,926,270**	**329,460**	**2,272,379**	**143,971**

On-balance-sheet exposures include loans as well as other financial assets, such as debt securities, with the exception of derivative contracts and equity securities.

Exposures associated with counterparty risk relating to transactions for lending or borrowing securities or commodities are excluded.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees given, commitments, derivatives) for which credit risk is taken.

B.3 PRUDENTIAL CONSOLIDATION – BREAKDOWN OF ON- AND OFF-BALANCE-SHEET EXPOSURES TO BANKS BY GEOGRAPHIC AREA

Exposures/Geographical areas	Italy		Other European Countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance-sheet exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to Pay	-	-	-	-	-	-	-	-	3,463	611
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	4,047,257	456	230,852	2,261	450,287	-	7,874	12	3,800	11
Total A	**4,047,257**	**456**	**230,852**	**2,261**	**450,287**	**-**	**7,874**	**12**	**7,263**	**622**
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	5,490	751	-	-	-	-	-	-
B.2 Performing exposures	1,126,571	813	85,448	53	2,738	1	41,796	22	18,113	6
Total B	1,126,571	813	90,938	804	2,738	1	41,796	22	18,113	6
Total (A+B) (31 Dec. 2019)	**5,173,828**	**1,269**	**321,790**	**3,065**	**453,025**	**1**	**49,670**	**34**	**25,376**	**628**
Total (A+B) (31 Dec. 2018)	**3,085,080**	**2,049**	**1,178,872**	**548**	**1,007**	**-**	**35,149**	**81**	**56,459**	**31**

On-balance-sheet exposures include loans as well as other financial assets, such as debt securities, with the exception of derivative contracts and equity securities.

Exposures associated with counterparty risk relating to transactions for lending or borrowing securities or commodities are excluded.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees given, commitments, derivatives) for which credit risk is taken.

B.4 LARGE EXPOSURES

As at 31 December 2019, positions having large exposure features as defined in Circular No. 258/2013 (as updated) were:

- Of a total nominal amount of Euro 22,884,867 thousand;
- Of a total weighted amount of Euro 1,149,531 thousand;
- A total number of 4 risk positions.

C. Securitisation transactions

QUANTITATIVE DISCLOSURES

C.5 PRUDENTIAL CONSOLIDATION – ACTIVITIES AS SERVICER – OWN ASSET-BACKED SECURITIES: COLLECTION OF SECURITIZED LOANS AND REPAYMENT OF SECURITIES ISSUED BY THE SECURITIZATION SPECIFIC-PURPOSE ENTITY

Servicer	Special-purpose entity	Assets-backed securities (closing figure)		Loans collected in the period		% share of repaid securities (closing figure)					
						Senior		Mezzanine		Junior	
		Non-performing	Performing	Non-performing	Performing	Non-performing assets	Performing assets	Non-performing assets	Performing assets	Non-performing assets	Performing assets
Crédit Agricole Italia	MondoMutui Cariparma S.r.l. – securitization 1	18,681	1,084,740	7,550	189,307						
Crédit Agricole Italia	MondoMutui Cariparma S.r.l. – securitization 2	9,345	1,218,373	3,532	179,948						

C.6 PRUDENTIAL CONSOLIDATION – CONSOLIDATED SECURITIZATION SPECIAL-PURPOSE ENTITIES

As at 31 December 2019, the Parent Company Crédit Agricole Italia was carrying out two so-called “internal” securitization transactions transferring receivables deriving from mortgage loans so called “fondiari” secured by first mortgage.

As at 31 December 2019, the residual debt of securitized loans amounted to Euro 2,338 million.

Subsequent to the transfer of the mortgage loans, the Parent Company fully subscribed the securities (Senior and Junior) having the following features:

- Securitization 1:
  - Senior: nominal value Euro 765 million, maturity 31 January 2058, indexed to EUR 6M+0.35%;
  - Junior: nominal value Euro 390 million, maturity 31 January 2058, indexed to EUR 6M+0.60% + variable portion;
- Securitization 2:
  - Senior: nominal value Euro 802 million, maturity 30 April 2060, indexed to EUR 6M+0.75%;
  - Junior: nominal value Euro 453 million, maturity 30 April 2060, indexed to EUR 6M+0.90% + variable portion;

In order to provide the SPE with liquidity to pay the coupons, two Interest Rate Swap transactions were carried with the SPE for a notional value of Euro 765 million and Euro 802 million, respectively, with maturities on 31 January 2058 and 30 April 2060; the derivative amortization reflects the amortization of the senior security.

D. Transfers

A. Financial assets sold and not fully derecognized

QUALITATIVE DISCLOSURES

Financial assets sold and not derecognized mainly consisted of debt securities relating to repurchase agreements.

QUANTITATIVE DISCLOSURES

D.1 PRUDENTIAL CONSOLIDATION – FINANCIAL ASSETS SOLD AND FULLY DERECOGNIZED AND ASSOCIATED FINANCIAL LIABILITIES: BOOK VALUE

	Sold financial assets fully recognized				Associated financial liabilities		
	Book value	of which: securitized	of which: subject to sale contracts with repurchase clauses	of which non-performing	Book value	of which: securitized	of which: subject to sale contracts with repurchase clauses
Financial assets held for trading							
1. Debt securities	-	-	-	X	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
Other financial assets mandatorily measured at fair value							
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
Financial assets designated at fair value							
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income							
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
Financial assets measured at amortized cost							
1. Debt securities	418,365	-	418,365	-	-	-	-
2. Loans	-	-	-	-	-	-	-
Total (31 Dec. 2019)	**418,365**	**-**	**418,365**	**-**	**-**	**-**	**-**
Total (31 Dec. 2018)	**645,727**	**-**	**645,727**	**-**	**-**	**-**	**-**

D.4 COVERED BOND PROGRAMME

In order to increase its liquidity reserves, in 2013 Crédit Agricole Italia designed its programme for the issue of Covered Bonds. These bonds are secured, i.e. "covered" both by the issuing Bank and by a pool of high-quality loans that are "separately" managed by a special-purpose entity (Crédit Agricole Italia OBG S.r.l. – the Special-Purpose Entity dedicated to the Programme, of which Crédit Agricole Italia holds 60%), operating as the "depositary of the mortgage loans used as collaterals". The Programme requires effective organizational control and significant capital strength. It is also emphasized that the above program has no effect on the regulatory risk profile of the disposing Banks (and of the Crédit Agricole Italia Banking Group) and does not generate the obligation for the Banks to derecognize the assets used as collaterals.

In general, the transaction, in accordance with the relevant regulations, consisted in the following activities.

The Banks of the Crédit Agricole Italia Banking Group (Crédit Agricole Italia and Crédit Agricole FriulAdria) transfer a "Pool" of mortgage loans to Crédit Agricole Italia OBG S.r.l. The assets transferred to the Special-Purpose Entity are separated from the SPE's assets and are to be used to the benefit of the holders of the covered bonds issued and of other parties in favour of whom the guarantee has been given.

The Banks grant a subordinated loan to Crédit Agricole Italia OBG, to be used to pay the purchase price of the assets by the same Special-Purpose Entity.

Crédit Agricole Italia issues the Covered Bonds and the Special-Purpose Entity issues collateral in favour of the holders of the issued covered bonds.

As a consequence, the repayment of the Covered Bonds that have been issued within the programme is secured by unconditional and irrevocable collateral issued by Crédit Agricole Italia OBG exclusively to the benefit of the Covered Bond subscribers and of unrelated counterparties.

In addition to creating further eligible liquidity reserves with the European Central Bank by issuing internal Covered Bonds, this programme allowed the covered bonds to be placed with external investors.

This programme, which is part of a process for enhancing the efficiency of funding sources, aims at providing the Bank with a wider range of liquidity management instruments.

This decision was made considering that the Covered Bond market allows Crédit Agricole Italia to have access to funding instruments with higher maturity than the securities placed with its Retail customers, to diversify its investor base and to stabilize the cost of funding.

In March 2019, Crédit Agricole Italia completed another issue of Covered Bonds on the market. This new issue received a favourable feedback from institutional investors and the covered bonds were successfully placed for an amount of Euro 750 million and, thus, funding could to be further stabilized at modest costs.

Concomitantly, Crédit Agricole Italia issued a Covered Bond for Euro 500 million, which was then repurchased in order to create a new eligible reserve with the ECB.

Cover pool

The loans that, each time, are transferred to the Special-purpose Entity as the cover pool must have some common features.

In May 2013, June 2015, February 2016, February 2017, November 2017, March 2018, February 2019 and September 2019, receivables, i.e. credit claims, based on mortgage loan contracts were selected, which, as at their respective transfer date, had, by way of example and not limited to, the following common features:

- Credit claims based on mortgage loan contracts:
  - Which are residential mortgage loans (i) having a risk-weighting factor not higher than 35% and (ii) for which the residual principal amount plus the residual principal of any previous mortgage loans with mortgage on the same property is not higher than 80% of the value of the mortgaged property; or

- Which are mortgage loans originated or purchased by the Crédit Agricole Italia Banking Group;
- Which are performing with no instalments past due by over 30 days;
- Which do not include clauses restricting the right of the Banks of the Crédit Agricole Italia Banking Group to transfer their credit claims resulting from the relevant loan contract or providing for the borrower's consent to the transfer and for the Banks of the Crédit Agricole Italia Banking Group to have obtained such consent;
- For which any pre-amortization period provided for by the contract has fully expired and at least one instalment has matured and has been paid;
- Which have been granted to a natural person, a legal person or to more than one natural or legal person, who have jointly taken out the loan;
- Which provide for the borrower to pay floating-rate interest (determined each time by the Banks of the Crédit Agricole Italia Banking Group) or fixed-rate interest.

Specifically, in 2019 two transfers of residential mortgage loans were made:

- On 18 February 2019, the Banks of the Crédit Agricole Italia Banking Group transferred the seventh cover pool to Crédit Agricole Italia OBG S.r.l. for a total amount as to principal of approximately Euro 1.5 billion (hereinafter the "Seventh Cover Pool", of which Crédit Agricole Italia transferred an amount of Euro 1.1 billion, Crédit Agricole FriulAdria Euro 0.3 billion and Crédit Agricole Carispezia Euro 0.1 billion); on 23 September 2019, the Banks of the Crédit Agricole Italia Banking Group transferred the eighth cover pool to Crédit Agricole Italia OBG S.r.l. for a total amount as to principal of approximately Euro 1.4 billion (hereinafter the "Eighth Cover Pool", of which Crédit Agricole Italia transferred an amount of Euro 1.2 billion and Crédit Agricole FriulAdria Euro 0.2 billion).

As at 31 December 2019, the Cover Pool consisted of receivables, i.e. credit claims, resulting from 116,041 mortgage loans, with a total residual debt, net of repayments, of approximately Euro 9.7 billion (Euro 7.9 billion transferred by Crédit Agricole Italia and Euro 1.8 billion by Crédit Agricole FriulAdria).

1.2 MARKET RISKS

1.2.1 Interest rate risk and price risk – Supervisory Trading Book

QUALITATIVE DISCLOSURES

A. General aspects

The Crédit Agricole Italia Banking Group does not typically engage in proprietary trading on financial markets, but only in trading operations to meet its customers' needs. Furthermore, the banking entities of the Group are subject to specific regulatory requirements that prohibit any proprietary speculative trading. The applicable legislation consists of the Volcker Rule (Dodd-Frank Wall Street Reform and Consumer Protection Act) and the LBF – "Loi de séparation et de régulation des activités bancaires" (French law no. 2013-672). Therefore, trading activities are ancillary to and aimed at meeting customers' requirements; the entities of the Crédit Agricole Italia Banking Group take only residual risk positions in the trading book.

The trading book of the entities of the Crédit Agricole Italia Banking Group mainly consists of Over-The-Counter derivatives (matched trading) and non-structured financial instruments. In its capacity as the Parent Company, Crédit Agricole Italia coordinates the interest rate risk and price risk of the trading books of the Group's entities, centrally managing banking operations as well as the risk assessment and control activities. The control of market risk on the trading book ensures that a risk level consistent with the Group's objectives is continuously maintained.

Given the exposure immateriality, Pillar One capital absorption is calculated in accordance with the standardized approach.

B. Management and measurement of interest rate and price risks

Organisational aspects

The process for the management of market risks is regulated by the relevant policy. This document lays down the internal normative framework for the management of market risk with reference to operations in financial instruments, foreign currencies and commodities, in terms of:

- The principles, objectives, approaches and tools used for the measurement, control and management of market risks;
- Guidelines and rules which the market risk management processes are based on.

The Market Risk Policy is one of the components of the overall risk governance model implemented by the Crédit Agricole Group, consistently with the guidelines issued by the Parent Company Crédit Agricole S.A.

Within the process for market risk management, primary responsibility is assigned to corporate bodies/structures, according to their respective scopes, and they must be fully aware of the Bank's level of exposure. Specifically:

- The Board of Directors is the body engaged in strategic oversight functions and is therefore responsible for defining market risk governance policies and management processes;
- The Deputy General Manager in charge of Corporate Banking, delegating the relevant tasks and powers to the Corporate Banking Department, is the officer responsible for market risk management, and, therefore, sets down and steers the Group's arrangement for the management of Market Risk;
- The Capital Management and Middle Office Service is responsible for controls, within the Volcker Rule and LBF scope, of perfect back–to-back of the transactions entered by the Capital Market Division on behalf of Customers;
- The Risk Management and Permanent Controls Department is responsible for control. It verifies the corporate risk management process and supervises compliance of the market risk treatment with the applicable legislation in force and with the Group Risk Strategy.

The model for market risk management and governance applies to the entire consolidation perimeter.

The limit structure

The limit structure reflects the level of risk deemed acceptable with reference to the individual business areas and is a mechanism designed to control that operational practices, at the various organisational levels, are performed in compliance with management guidelines and strategies, as defined by the Top Management.

The risk framework system regarding the trading books of the entities belonging to the Crédit Agricole Italia Banking Group is reviewed on a yearly basis, consistently with the guidelines and the risk appetite set by the Crédit Agricole Group. Such risk appetite is structured through global limits and operational limits that are defined by the Risk Strategy.

The global limits system must be able to ensure a controlled development of the business. The limits are set in order to contain any losses within a level that is deemed acceptable for the Crédit Agricole Group as a whole and are defined using common metrics, such as Notional Value, Mark to Market and Value at Risk. The global limits are validated by the Group Risk Committee of Crédit Agricole SA (Comité Risques Groupe – CRG) and approved by the Boards of Directors of the entities of the Crédit Agricole Italia Banking Group, whereas the operational limits – which are specific adaptations of the global limits – are adapted to the individual entities of the Crédit Agricole Italia Banking Group and are also validated by their respective Boards of Directors.

Control System

The monitoring of global and operational limits is a task assigned to the Risk Management and Permanent Controls Department. Reporting on compliance with the set limits is included in the monthly Financial Risk Report, while continuous compliance is verified with automated daily reporting through an internal procedure. The Financial Risk Report is sent to the Group's top bodies and officers to the structures engaged in market risk management, to the

Internal Audit Department and to the Group Risk Department (Direction Risques Groupe) of Crédit Agricole S.A. A summary of this report is the basis for quarterly reporting on market risks to the Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are breached, there are significant changes in markets, significant losses, etc.), a specific alert procedure is triggered, reporting the event and a remedial action plan to the Top Management Bodies and to the Parent Company Crédit Agricole S.A.

Furthermore, the Risk Management and Permanent Controls Department performs Independent Price Verification activities and audits on Prudent Valuation of the financial instruments on the trading book. As regards derivative instruments sold to ordinary instruments, it issues opinions on the pricing methodology, whose models, which are commonly used in financial practices, are fed with input parameters (such as interest rate, exchange rate and volatility curves) observed on the market and subject to monitoring processes.

Local "Correspondant Volcker Rule" (the Local Officer in charge of the Volcker Rule)

The Local "Correspondant Volcker Rule" (the Local Officer in charge of the Volcker Rule) for the Crédit Agricole Italia Banking Group is part of the Finance Department and is responsible for ensuring that the Group is always compliant with the Volcker Rule on proprietary trading. He/she has the task of assessing compliance of the activities carried out with the Volcker Rule, interacting with the persons in charge of the Volcker Rule at a central level within Crédit Agricole S.A.

Fair Value Option

In 2019, no transactions recognized under "Fair Value Option" were carried out.

QUANTITATIVE DISCLOSURES

1. Supervisory Trading Book: breakdown by residual maturity (repricing date) of on-balance-sheet financial assets and liabilities and financial derivatives

Euro

Type/Residual maturity	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	-	-	5	-	-	92	1	-
1.1 Debt securities	-	-	5	-	-	92	1	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	5	-	-	92	1	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities	-	-	-	-	-	-	-	-
2.1 repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial Derivatives	303,048	4,407,962	3,155,356	1,544,755	4,198,394	658,505	69,177	-
3.1 With underlying security	-	1,649	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	1,649	-	-	-	-	-	-
+ long positions	-	745	-	-	-	-	-	-
+ short positions	-	904	-	-	-	-	-	-
3.2 Without underlying security	303,048	4,406,313	3,155,356	1,544,755	4,198,394	658,505	69,177	-
- Options	36	5,781	12,600	20,014	54,391	20,199	2,947	-
+ long positions	22	2,890	6,300	10,007	27,194	10,097	1,473	-
+ short positions	14	2,891	6,300	10,007	27,197	10,102	1,474	-
- Other derivatives	303,012	4,400,532	3,142,756	1,524,741	4,144,003	638,306	66,230	-
+ long positions	151,506	2,201,092	1,571,150	762,070	2,071,827	319,153	33,115	-
+ short positions	151,506	2,199,440	1,571,606	762,671	2,072,176	319,153	33,115	-

Other currencies

Type/Residual maturity	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities	-	-	-	-	-	-	-	-
2.1 repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial Derivatives	-	**51,575**	**2,302**	**1,534**	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	51,575	2,302	1,534	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	51,575	2,302	1,534	-	-	-	-
+ long positions	-	25,816	1,151	767	-	-	-	-
+ short positions	-	25,759	1,151	767	-	-	-	-

1.2.2 Interest Rate Risk and Price Risk – Banking Book

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of interest rate risk and price risks

General aspects

Asset & Liability Management activities cover all the items on the banking book. Future fluctuations in interest rates that would impact on the profits, through changes in net interest income, and that would also have an effect on the value of its capital, since they would cause a change in the net present value of future cash flows, are mitigated with hedges that are calibrated also through specific modeling of financial statement items.

Organisational aspects

The process for the management of interest rate risk and price risk regarding the Banking Book of the Entities belonging to the Crédit Agricole Italia Banking Group is regulated within the relevant risk policies.

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

The Governance model adopted by the Crédit Agricole Italia Banking Group vests:

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

The CFO is responsible for the management and measurement of interest rate risk for the Group as a whole. Through the Finance Department, the CFO sets the methods for managing interest risk in compliance with the applicable regulations and with the methodological indications provided by the Crédit Agricole Group. The CFO also designs operational actions, carries out stress testing exercises based on the guidelines issued by the Crédit Agricole Group and prepares the ICAAP reports, both the local one and the contribution to the Group's ICAAP exercise.

The Risk Management and Permanent Controls Department is responsible for control. Therefore, it verifies the corporate risk management process and supervises compliance of the risk treatment with the applicable legislation in force and with the Group Risk Strategy.

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

Risk policy and management

The processes for the management of interest rate risk and price risk are governed by the respective risk policies. These documents lay down the internal normative framework for the management of risks with reference to operations in financial instruments, in terms of:

- Principles, objectives, methodologies and tools used for the measurement, control and management of risks;
- Guidelines and rules on which the risk management and stress testing processes are based.

The management of interest rate risk designed by the Crédit Agricole Italia Banking Group aims at ensuring that the individual legal entities and the Group as a whole achieve the maximum possible income from the existing positions through proactive management of interest risk hedges. The main financial instruments to manage risk hedges are derivative contracts, i.e. interest rate options and e Interest Rate Swaps.

Control System

Independent control on the system for the management of interest rate risk is performed by the Risk Management and Permanent Controls Department of Crédit Agricole Italia, for the Group and for the single entities, by verifying the compliance of such system with the internal model of Crédit Agricole S.A. Specifically, within its responsibilities, the Risk Management and Permanent Controls Department:

- Independently verifies compliance with the limits and alter thresholds provided for by the RAF and by the Risk Strategy; it also expresses its prior opinion in case of any changes to the approaches and methods used by the Finance Department, while reporting on them to the ALM Committee and to the Risk and Internal Control Committee;
- Submits the outcomes of its verifications to the Controlling Company on a monthly basis and, in case of breach of any one of the limits set down in the Risk Strategy, it triggers the alert procedure and analyzes and approves the action plan proposed by the corporate structures concerned;
- Reports to the Boards of Directors of the single Banks of the Group and to the Risk and Internal Control Committee on any breached limits, problems arisen and compliance with the limits set in the Risk Strategy.

The Risk Management and Permanent Controls Department is responsible for control of compliance with the set limits; therefore, on a monthly basis, it prepares and sends its Financial Risk Report to the Corporate Bodies, which provides information on the control outcomes and on any breaches of limits, and activates, where required, the appropriate alert procedures. On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to the Boards of Directors of all the Entities of the Crédit Agricole Italia Banking Group.

Risk measurement: Methodological aspects

The model for the measurement of global interest rate risk provides for an analysis of the contractual profile (cash flow generation by maturity), of all balance-sheet items and, where appropriate, for the "modeling" of other balance sheet items that, in terms of asset stability and responsiveness to changes in market interest rates, are among the items that are sensitive to interest rate risk for the Banks of the Group. Specifically, for interest rate risk analysis, the following elements are identified:

- Term loans (fixed and variable rate for the portion with an already established rate);
- Balance-sheet items modelled in accordance with the guidelines issued by the Parent Company Crédit Agricole S.A.;
- Balance-sheet items modelled in accordance with specific management rules set by the relevant corporate structures of Crédit Agricole Italia (local models).

As regards global limits on interest rate risk, the Risk Strategy has validated:

- A global limit in terms of Net Present Value (NPV);
- A global limit in NPV Index terms;
- A global limit and alert thresholds on the gap for the various time ranges;
- Alert thresholds on the "Gamma effect", an indicator linked to transactions that feature an intrinsic optional component.

As regards price risk for the Banking Book, global limits have been set, based on the type of instruments that can be held, which are expressed with reference to indicators, such as the balance sheet Notional Value and Fair Value, and further global limits and alert thresholds have been identified for stress testing.

EMIR – Developments in regulatory requirements

Applying to derivative financial instruments, on 28 May 2019 Regulation (EU) 2019/834 (also called EMIR REFIT) amending Regulation (EU) No 648/2012 (EMIR) as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories was published on the Official Journal of the European Union.

Without claiming to be exhaustive, this section outlines some significant new developments introduced by EMIR REFIT, which entered into force on 17 June 2019.

- Definition of Financial Counterparty: the definition of Financial Counterparty has been amended in order for it to include the counterparties that might pose an important systemic risk for the financial system.
- Clearing obligation: Article 4 of EMIR laying down the clearing obligation has been amended in order to take into account the new criteria introduced by EMIR REFIT, according to which a Financial Counterparty (FC) or a Non-financial Counterparty (NFC) is subject to the clearing obligation (see Art. 4-bis for FC and Art. 10 for NFC of EMIR as amended by EMIR REFIT); specifically, FCs and NFCs taking OTC derivative positions are subject to the clearing obligation i) where they choose not to calculate their positions against the clearing thresholds or ii) where the result of that calculation exceeds specific clearing thresholds (previously these thresholds applied to NFCs only); furthermore, the counterparties that, based on the above, are subject to clearing obligation, immediately notify ESMA and the relevant National Competent Authority thereof and shall establish clearing arrangements within four months after the notification, whereby they can clear derivative contracts entered into or novated more than four months following the notification (pertaining to any class of OTC derivatives which is subject to the clearing obligation).
- Reporting obligation: EMIR REFIT has removed the so-called backloading requirement, i.e. the obligation to report historic trades no longer outstanding on the date of entry into force of the obligation to report to the Trade Repositories but all the same subject to EMIR.

Another important new provision introduced by EMIR REFIT, which shall enter into force on 18 June 2020, is the exclusive responsibility and liability of Financial Counterparties for reporting, on behalf of both counterparties, the data of the OTC derivative contracts signed with a Non-Financial Counterparty below the clearing threshold (NFC-).

QUANTITATIVE DISCLOSURES

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Euro

Type/Residual maturity	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**11,437,442**	**25,625,451**	**1,832,577**	**1,536,795**	**8,681,837**	**4,468,317**	**4,959,226**	**147,083**
1.1 Debt securities	-	11,248	-	150,721	5,282,321	2,011,692	28	147,083
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	11,248	-	150,721	5,282,321	2,011,692	28	147,083
1.2 Loans to banks	621,731	3,946,323	5,113	37,605	1,636	-	5,290	-
1.3 Loans to customers	10,815,711	21,667,880	1,827,464	1,348,469	3,397,880	2,456,625	4,953,908	-
- c/a	1,203,679	402,429	49,093	96,825	117,732	9,148	889,085	-
- other loans	9,612,032	21,265,451	1,778,371	1,251,644	3,280,148	2,447,477	4,064,823	-
- with early repayment option	2,767	504,701	276,612	38,409	55,660	9,115	15,140	-
- other	9,609,265	20,760,750	1,501,759	1,213,235	3,224,488	2,438,362	4,049,683	-
2. On-balance-sheet liabilities	**38,456,731**	**1,759,120**	**1,831,905**	**591,788**	**5,911,427**	**3,055,688**	**3,658,211**	**-**
2.1 Due to customers	37,878,887	19,551	12,202	17,958	101,805	47,855	2,414,436	-
- c/a	35,983,072	1,340	-	70	-	-	2,410,234	-
- other due and payables	1,895,815	18,211	12,202	17,888	101,805	47,855	4,202	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	1,895,815	18,211	12,202	17,888	101,805	47,855	4,202	-
2.2 Due to banks	575,577	997,412	1,726,427	515,030	2,248,191	-	-	-
- c/a	12,364	-	-	-	-	-	-	-
- other due and payables	563,213	997,412	1,726,427	515,030	2,248,191	-	-	-
2.3 Debt securities	2,267	742,157	93,276	58,800	3,561,431	3,007,833	1,243,775	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	2,267	742,157	93,276	58,800	3,561,431	3,007,833	1,243,775	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial Derivatives	**180,029**	**24,405,922**	**709,850**	**3,213,359**	**10,797,606**	**8,527,581**	**2,298,883**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	180,029	24,405,922	709,850	3,213,359	10,797,606	8,527,581	2,298,883	-
- Options	29	23,698	174	270,337	3,236	388,400	1,048,655	-
+ long positions	29	3,110	87	135,168	1,709	198,239	528,923	-
+ short positions	-	20,588	87	135,169	1,527	190,161	519,732	-
- Other derivatives	180,000	24,382,224	709,676	2,943,022	10,794,370	8,139,181	1,250,228	-
+ long positions	-	4,449,113	708,501	2,939,437	8,414,800	6,460,000	1,250,000	-
+ short positions	180,000	19,933,111	1,175	3,585	2,379,570	1,679,181	228	-
4. Other off-balance-sheet transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Other currencies

Type/Residual maturity	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over5 years to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**9,455**	**5,238**	**101**	**16**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	9,027	1,521	-	-	-	-	-	-
1.3 Loans to customers	428	3,717	101	16	-	-	-	-
- c/a	428	-	-	-	-	-	-	-
- other loans	-	3,717	101	16	-	-	-	-
- with early repayment option	-	1,060	101	4	-	-	-	-
- other	-	2,657	-	12	-	-	-	-
2. On-balance-sheet liabilities	**7,365**	**6,758**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	7,365	-	-	-	-	-	-	-
- c/a	7,317	-	-	-	-	-	-	-
- other due and payables	48	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	48	-	-	-	-	-	-	-
2.2 Due to banks	-	6,758	-	-	-	-	-	-
- c/a	-	-	-	-	-	-	-	-
- other due and payables	-	6,758	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions	-	2,500	-	-	-	-	-	-
+ long positions	-	1,250	-	-	-	-	-	-
+ short positions	-	1,250	-	-	-	-	-	-

1.2.3 Foreign exchange risk

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of foreign exchange risk

General aspects

The Crédit Agricole Italia Banking Group is not engaged in proprietary trading on the currency market. Consequently, there are no exposures other than residual positions resulting from activities carried out to meet customer requirements, in both the spot and forward markets.

In its capacity as the Parent Company, Crédit Agricole Italia coordinates the foreign exchange risk profiles of the Group, centrally managing financial operations, as well as risk assessment and control activities.

Management and measurement of foreign exchange risk

Organisational aspects

The process for the management of foreign exchange risks is regulated by the relevant risk policy, which is one of the key components of the overall risk governance model implemented by the Group, consistently with the guidelines given by Crédit Agricole S.A.

Within the process for exchange risk management, primary responsibility is assigned to corporate bodies/structures, according to their respective scopes, and they must be fully aware of the Bank's level of exposure. Specifically:

- The Board of Directors is tasked with strategic oversight and is therefore responsible for defining risk governance policies and management processes;
- The Deputy General Manager in charge of Corporate Banking, through the Capital Market Division, is responsible for risk management, and, therefore, defines and steers the Group's arrangement for the management of foreign exchange risk, in compliance with the instructions and resolutions issued by the ALM Committee and by the Risk and Internal Control Committee;
- The Risk Management and Permanent Controls Department is responsible for control. It verifies the corporate risk management process and supervises compliance of foreign exchange risk treatment with the applicable legislation in force and with the Group risk strategy.

The limit structure

The limit structure reflects the level of risk deemed acceptable with reference to the individual business areas and is designed to control that operations are performed in compliance with the management and strategic directions set by the Top Management.

The Group's framework system for foreign exchange risk is reviewed on a yearly basis, consistently with the guidelines and the risk appetite set by the Crédit Agricole Group. Such risk appetite is structured through global limits and operational limits that are set by the Crédit Agricole Italia Group in its Risk Strategy.

The global limit is set in order to ensure a controlled development of the business. It is calculated as the sum of the value in Euro of the single positions and is validated by the Group Risk Committee of Crédit Agricole S.A. (Comité Risques Groupe – CRG) and approved by the Boards of Directors of Crédit Agricole Italia and of the single entities of the Group.

Operational limits are calibrated using the same method used for the global limit, are specifically adjusted for each Bank of the Group and validated by each Bank's Board of Directors.

Control System

The monitoring of global and operational limits, which is carried out on a daily basis, is a task assigned to the Risk Management and Permanent Controls Department. The outcomes of monitoring on limits are included in the monthly Report on Financial Risks. It is sent to the Group's Top Management (CFO), to the structures engaged in foreign exchange risk management (Corporate Banking Department), to the Internal Audit Department and to Crédit Agricole S.A. (Direction Risques Groupe).

A summary of this report is the basis for quarterly reporting on foreign exchange risks to the Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are breached, there are significant changes in markets, significant losses, etc.), the Group triggers the alert procedure, reporting the event and a remedial action plan to the Top Management Bodies and to the Direction Risques Groupe of Crédit Agricole S.A.

B. Foreign exchange risk hedging

Foreign exchange risk hedging is based on the intermediation principle, which allows the Parent Company and the Subsidiaries of the Crédit Agricole Italia Banking Group not to take risk positions breaching the authorized operational limits. Back-to-back hedging transactions are carried out with Authorized Financial Counterparties and are traded upon the closing of the relevant transactions with Customers.

QUANTITATIVE DISCLOSURES

1. Breakdown by currency of assets, liabilities and derivatives

Items	Currencies					
	USD	GBP	Yen	CAD	CHF	Other currencies
A. Financial Assets	**(206,647)**	**(24,421)**	**(12,554)**	**(3,790)**	**(40,588)**	**(14,807)**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	(56,009)	(16,434)	(12,411)	(3,088)	(27,947)	(10,547)
A.4 Loans to customers	(150,638)	(7,987)	(143)	(702)	(12,641)	(4,260)
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**(6,912)**	**(1,359)**	**(243)**	**(281)**	**(947)**	**(1,155)**
C. Financial Liabilities	**220,218**	**25,378**	**12,768**	**3,795**	**40,810**	**14,123**
C.1 Due to banks	55,134	6,474	-	-	6,771	6,758
C.2 Due to customers	165,084	18,904	12,768	3,795	34,039	7,365
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**9,117**	**540**	**158**	**87**	**179**	**1,011**
E. Financial derivatives	**(701,396)**	**(36,728)**	**(5,552)**	**(3,579)**	**(56,489)**	**(55,411)**
- Options	(764)	(230)	-	(22)	-	-
+ long positions	(382)	(115)	-	(11)	-	-
+ short positions	(382)	(115)	-	(11)	-	-
- Other derivatives	(700,632)	(36,498)	(5,552)	(3,557)	(56,489)	(55,411)
+ long positions	(349,582)	(18,268)	(2,848)	(1,769)	(28,216)	(27,734)
+ short positions	(351,050)	(18,230)	(2,704)	(1,788)	(28,273)	(27,677)
Total assets	**(563,523)**	**(44,163)**	**(15,645)**	**(5,851)**	**(69,751)**	**(43,696)**
Total liabilities	**580,767**	**44,263**	**15,630**	**5,681**	**69,262**	**42,811**
Mismatch (+/-)	**17,244**	**100**	**(15)**	**(170)**	**(489)**	**(885)**

1.3 DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

1.3.1 Derivative instruments held for trading

A. Financial Derivatives

A.1 FINANCIAL DERIVATIVES HELD FOR TRADING: CLOSING NOTIONAL VALUES

Underlying assets/Type of derivatives	Total (31 Dec. 2019)				Total (31 Dec. 2018)			
	Over-the-Counter			Organized markets	Over-the-Counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Debt securities and interest rates	**-**	**4,381,040**	**4,365,104**	**-**	**-**	**4,066,553**	**4,072,128**	**-**
a) Options	-	1,050,155	1,046,480	-	-	1,204,810	1,200,527	-
b) Swaps	-	3,330,885	3,318,624	-	-	2,861,743	2,871,601	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**224**	**-**	**-**	**-**	**231**	**-**
a) Options	-	-	224	-	-	-	231	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange and gold	**-**	**387,290**	**446,867**	**-**	**-**	**183,567**	**284,189**	**-**
a) Options	-	52,943	52,943	-	-	49,880	49,880	-
b) Swaps	-	37,746	37,746	-	-	-	-	-
c) Forwards	-	296,601	356,178	-	-	133,687	234,309	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**5,896**	**5,912**	**-**	**-**	**1,510**	**1,514**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**4,774,226**	**4,818,107**	**-**	**-**	**4,251,630**	**4,358,062**	**-**

A.2 FINANCIAL DERIVATIVES HELD FOR TRADING: GROSS POSITIVE AND NEGATIVE FAIR VALUE – BREAKDOWN

Underlying assets/Type of derivative	Total 31 Dec. 2019				Total 31 Dec. 2018			
	Over-the-Counter			Organized markets	Over-the-Counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Positive fair value								
a) Options	-	760	2,425	-	-	3,186	2,021	-
b) Interest rate swaps	-	209	64,991	-	-	264	56,276	-
c) Cross currency swaps	-	-	252	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	1,272	3,000	-	-	1,041	2,949	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	506	-	-	-	-	24	-
Total	-	2,747	70,668	-	-	4,491	61,270	-
2. Negative fair value								
a) Options	-	1,621	688	-	-	1,388	2,918	-
b) Interest rate swaps	-	74,409	331	-	-	65,125	116	-
c) Cross currency swaps	-	258	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	2,472	1,713	-	-	1,200	2,748	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	488	-	-	20	-	-
Total	**-**	**78,760**	**3,220**	**-**	**-**	**67,733**	**5,782**	**-**

A.3 OTC FINANCIAL DERIVATIVES HELD FOR TRADING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUE BY COUNTERPARTY

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting arrangements				
1) Debt securities and interest rates				
- notional value	X	-	260,163	4,104,941
- positive fair value	X	-	2,624	63,083
- negative fair value	X	-	-	795
2) Equity securities and equity indices				
- notional value	X	224	-	-
- positive fair value	X	823	-	-
- negative fair value	X	-	-	-
3) Foreign exchange and gold				
- notional value	X	30,058	5,341	411,468
- positive fair value	X	361	39	3,737
- negative fair value	X	140	51	1,821
4) Commodities				
- notional value	X	-	-	5,912
- positive fair value	X	-	-	-
- negative fair value	X	-	-	413
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional value	-	4,376,472	4,567	-
- gross positive fair value	-	745	-	-
- gross negative fair value	-	75,086	57	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	387,290	-	-
- gross positive fair value	-	1,574	-	-
- gross negative fair value	-	3,617	-	-
4) Commodities				
- notional value	-	5,896	-	-
- gross positive fair value	-	429	-	-
- gross negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-

A.4 RESIDUAL MATURITY OF OTC FINANCIAL DERIVATIVES: NOTIONAL VALUES

Underlying asset/residual maturity	Up to 1 year	More than 1 and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	3,483,369	4,404,813	857,963	8,746,145
A.2 Financial derivatives on equity securities and equity indices	-	224	-	224
A.3. Financial derivatives on foreign exchange rates and gold	695,527	138,629	-	834,156
A.4 Financial derivatives on other values	11,808	-	-	11,808
A.5 Other financial derivatives	-	-	-	-
Total (31 Dec. 2019)	**4,190,704**	**4,543,666**	**857,963**	**9,592,333**
Total (31 Dec. 2018)	**1,057,624**	**4,856,366**	**2,695,710**	**8,609,700**

1.3.2 Accounting hedges

QUALITATIVE DISCLOSURES

A. Fair value hedging

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

The main financial instruments for the management of interest rate risk hedges are 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) and current accounts, which have been subject to macro-hedging.

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

B. Cash flow hedging

In 2019, no Cash Flow Hedge transactions were carried out.

D. Hedging instruments

The Crédit Agricole Italia Banking Group hedges interest rate risk resulting from some parts of its balance sheet items under fair value hedging, with the following instruments:

- IRS, both for micro-hedging (Issued Debenture Loans and Securities under assets), and for macro-hedging (modelled Retail Current Accounts under liabilities);
- IRO, in macro-hedging, to hedge optional risk resulting from CAP options associated with a part of mortgage loans sold to Customers.

A source of ineffectiveness envisaged for all the types of hedges used is the possible early repayment of the hedged item. Moreover, for hedging with IRS, also any possible sudden and material change in the Euribor rates, entailing the breach of the tolerance threshold set by IFRS9 for the hedge ratio (-80%/-125%), could be a cause of possible ineffectiveness. Finally, as regards hedging of “modelled” items, a change in the model’s financial characteristics, subsequent to the periodic review of the models, could also be yet another cause of ineffectiveness.

Over time, ineffectiveness resulting from early or from the periodic review of the models (reduction in the modelled item duration) has been overcome with total or partial unwinding of the hedging instruments.

E. Hedged items

Hedging of issued (fixed-rate) Debenture Loans

The hedged item is limited to the portion referring to interest rate risk only. Hedging uses IRS in which the fixed-rate leg equalizes the debenture loan rate and the variable-rate leg is determined as the Euribor (1, 3 or 6 months) +/- spread.

The spread on the variable-rate leg of the IRS is included in the hedging relationship, inverting its sign, as “spread adjustment” of the hedged item (debenture loan rate +/- spread adjustment). In this way, based on the assumption that the two legs of the IRS, on the trading date, have the same value and knowing that an IRS contract hedges interest rate risk only, the value of the “hedged item” referring to every debenture loan can be determined, or the only part of the debenture loan interest rate referring to the hedged risk (interest rate risk).

Hedging of Securities recognized as Assets (fixed rate)

The hedged item is limited to the portion referring to interest rate risk only. Hedging is done with IRSs in which the variable-rate leg is determined as the Euribor (1, 3 or 6 months) and the fixed-rate leg equalizes the expected value of the former.

Hedging of the fixed-rate part of Retail Current Accounts recognized as Liabilities:

The hedged item is limited to the portion referring to interest rate risk only. Hedging is done with IRSs in which the fixed-rate leg equalized the rate of a “fictitious” bond-equivalent designed to identify the hedged item resulting from the modelling of a balance-sheet item (a set of current accounts) that, in contractual terms only, would not allow to separate the characteristics required for the hedging, and the variable-rate leg is determined as the Euribor (1, 3 or 6 months). The value of the hedged rate and the duration of this bond-equivalent are determined with a modelling process that is specific to the Retail channel and is reviewed on a yearly basis and validated by the relevant structures of the Bank. Through a statistical analysis, the model breaks down a set of current accounts featuring the same behavioural aspects and product type (Retail current accounts under liabilities), into its different financial parts: stable part by volume (fixed-rate or variable-rate), and volatile part. The hedged part is the stable fixed-rate one.

Hedging of the CAP option on originated mortgage loans (variable rate):

The hedged item is limited to the portion referring to interest rate risk only. Hedging is done with IROs traded in order to hedge the risk that a variable-rate mortgage loan contract, once having reached its cap, becomes a fixed-rate item, with subsequent increase in the Bank’s financial leverage. Every IRO is specifically traded in order to hedge portfolios of mortgage loans having the same financial characteristics (strike, market parameter, payment schedule,…). In this way, the Bank achieves its objective of having essential specularity between the characteristics of the implied Cap rates of the mortgage loans and those of the IRO hedging them.

QUANTITATIVE DISCLOSURES

A. Financial Derivatives held for hedging

A.1 FINANCIAL DERIVATIVES HELD FOR HEDGING: CLOSING NOTIONAL VALUES

Type of derivatives	Total 31 Dec. 2019				Total 31 Dec. 2018			
	Over-the-Counter			Organized markets	Over-the-Counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Debt securities and interest rates	-	**27,186,576**	-	-	-	**27,244,754**	-	-
a) Options	-	2,964,726	-	-	-	2,550,444	-	-
b) Swaps	-	24,221,850	-	-	-	24,694,310	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange and gold	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other underlying assets	-	-	-	-	-	-	-	-
Total	**-**	**27,186,576**	**-**	**-**	**-**	**27,244,754**	**-**	**-**

A.2 FINANCIAL DERIVATIVES HELD FOR HEDGING: GROSS POSITIVE AND NEGATIVE FAIR VALUE – BREAKDOWN BY PRODUCT

Type of derivatives	Positive and negative fair value								Change in the value used to assess hedge effectiveness	
	Total (31 Dec. 2019)				Total (31 Dec. 2018)					
	Over-the-Counter			Organized markets	Over-the-Counter			Organized markets	Total (31 Dec. 2019)	Total (31 Dec. 2018)
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties				
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements			
1. Positive fair value										
a) Options	-	28,091	-	-	-	81,425	-	-	-	81,425
b) Interest rate swaps	-	731,725	-	-	-	493,906	-	-	-	493,906
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**759,816**	**-**	**-**	**-**	**575,331**	**-**	**-**	**-**	**575,331**
2. Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	509,731	-	-	-	564,549	-	-	-	564,549
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**509,731**	**-**	**-**	**-**	**564,549**	**-**	**-**	**-**	**564,549**

A.3 OTC FINANCIAL DERIVATIVES HELD FOR HEDGING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUE BY COUNTERPARTY

	Central counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting arrangements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and equity indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign exchange and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional value	-	27,184,995	1,581	-
- gross positive fair value	-	759,816	-	-
- gross negative fair value	-	509,597	134	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-

A.4 RESIDUAL MATURITY OF OTC FINANCIAL DERIVATIVES HELD FOR HEDGING: NOTIONAL VALUES

Underlying asset/residual maturity	Up to 1 year	More than 1 and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	4,092,351	10,794,370	12,299,855	27,186,576
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3. Financial Derivatives on exchange rates and gold	-	-	-	-
A.4 Financial Derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total (31 Dec. 2019)	**4,092,351**	**10,794,370**	**12,299,855**	**27,186,576**
Total (31 Dec. 2018)	**3,351,470**	**11,369,125**	**12,524,159**	**27,244,754**

D. Hedged items

D.1 FAIR VALUE HEDGES

	Micro-hedges: book value	Micro-hedges – net positions: book value of assets or liabilities (before netting)	Micro-hedges			Macro-hedges: book value
			Cumulative amount of changes in the fair value of the hedged item	Termination of the hedge: Cumulative amount of remaining fair value changes	Change in the value used to assess hedge effectiveness	
A. Assets						
1. Financial assets measured at fair value through other comprehensive income – hedging of:						
1.1 Debt securities and interest rates	2,455,483	-	64,690	921	-	X
1.2 Equity securities and equity indexes	-	-	-	-	-	X
1.3 Foreign exchange and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
2. Financial assets measured at amortized cost – hedging of:						
1.1 Debt securities and interest rates	2,223,425	-	131,701	-	-	X
1.2 Equity securities and equity indexes	-	-	-	-	-	X
1.3 Foreign exchange and gold	-	-	-	-	-	X
1.4 Loans	36,647	-	5,036	51	-	X
1.5 Other	-	-	-	-	-	X
Total (31 Dec. 2019)	**4,715,555**	**-**	**201,427**	**972**	**-**	**-**
Total (31 Dec. 2018)	**4,878,987**	**-**	**133,379**	**10,664**	**-**	**-**
B. Liabilities						
1. Financial liabilities measured at amortized cost – hedging of:						
1.1 Debt securities and interest rates	7,579,676	-	259,527	431	-	X
1.2 Foreign exchange and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total (31 Dec. 2019)	**7,579,676**	**-**	**259,527**	**431**	**-**	**-**
Total (31 Dec. 2018)	**7,087,852**	**-**	**4,081**	**497**	**-**	**-**

1.3.3 Other information on derivative instruments (held for trading and for hedging)

A.1 OTC FINANCIAL AND CREDIT DERIVATIVES: NET FAIR VALUES BY COUNTERPARTY

	Central counterparties	Banks	Other financial companies	Other parties
A. Financial Derivatives				
1) Debt securities and interest rates				
- notional value	-	31,567,351	266,310	4,104,941
- positive fair value	-	760,596	2,625	63,083
- negative fair value	-	584,717	191	794
2) Equity securities and equity indices				
- notional value	-	215	-	-
- positive fair value	-	789	-	-
- negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	417,605	5,341	411,468
- positive fair value	-	1,938	39	3,737
- negative fair value	-	3,761	51	1,821
4) Commodities				
- notional value	-	5,896	-	5,912
- positive fair value	-	429	-	-
- negative fair value	-	-	-	413
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
B. Credit derivatives				
1) Purchase and protection				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Sale and protection				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

1.4 - LIQUIDITY RISK

QUALITATIVE AND QUANTITATIVE DISCLOSURES

A. General aspects, management and measurement of liquidity risk

General and organisational aspects

Liquidity risk reflects the possibility that the Group may not be able to meet its payment commitments, both expected and unexpected, without prejudicing its daily operations or its financial position. This risk is managed based on the following components:

- Management of short-term liquidity: its objective is to ensure the balance between liquidity inflows and outflows in the perspective of continuously supporting normal banking operations;
- Management of structural liquidity: its objective is to maintain the balance between total liabilities and medium/long-term assets.

The liquidity risk management model, approved by Crédit Agricole Italia Board of Directors, is based on the principle of separation of liquidity management and measurement processes from control processes, in compliance with the regulatory requirements and with the guidelines issued by Crédit Agricole S.A.

This model provides for the governance and management of liquidity risk to be centrally performed by the Parent Company Crédit Agricole Italia, which is also responsible for the funding process of all the entities of the Group. This framework is defined as the "Liquidity System".

The model lays down the responsibilities of the Corporate Bodies and Functions Holders involved, specifically:
- The Board of Directors, the body in charge of strategic oversight, is responsible for defining governance policies, the organizational structure and management processes. Specifically, it approves measurement methods, risk tolerance thresholds and the limits system, the assumptions at the basis of stress tests and the Contingency Funding Plan (Plan d'Urgence).
- The CFO, through the Finance Department, is the role responsible for management and, specifically, for the preparation of the reporting to the Bank of Italy, as well as of internal reporting on the Group's liquidity situation (Liquidity Report). The Finance Department operates in compliance with the directions given by the ALM Committee;
- The Risk Management and Permanent Controls Department is responsible for the permanent controls arrangement, controls compliance with global and operational limits, as well as with alert thresholds, prepares the reporting to corporate Bodies and triggers, where required, the alert procedures. Jointly with the Finance Department, it is also responsible for monitoring the ratios provided for in the Contingency Funding Plan.

The process for the management of liquidity risk is governed by the relevant risk policy.

Risk management and control: methodological aspects

The model adopted for liquidity risk management is based on the monitoring of the short-term component (up to 12 months) and the medium/long-term one.

The main objective of the short-term liquidity management process is to ensure that the Group is able to satisfy on-balance-sheet payment commitments, expected and unexpected, in such a way as not to prejudice normal business.

A basic condition for achieving this objective is to permanently maintain a sufficient balance between incoming and outgoing liquidity flow.

The Group's liquidity risk monitoring system considers the following factors:
- Keeping immediate liquidity, i.e. the net balance of customer sources, excess own funds and loans to customers. This is carried out by recognizing cash inflows and outflows expected in the various ranges of residual maturity making up the maturity ladder;
- the continuation of the business activity based on planned rates (monitoring the performance of liquidity from loans to customers/customer sources).

An essential aspect of liquidity management is the definition of an interbank short-term refinancing limit (LCT – Limite Court Terme), which is fine-tuned in accordance with the guidelines issued by the Parent Company Crédit Agricole S.A., which aims at limiting short-term funding on the market over a one-year time horizon in a market featuring stress conditions.

Short-term liquidity risk management and oversight policies aim at ensuring the surmounting of any crisis that leads to serious reduction in the Group's normal funding sources; in this regard, three stress scenarios have been identified:
- Systemic crisis: a situation that leads to partial closure of the short-term and medium-/long-term refinancing market, with continuing business operations. The Group must be able to continue operations for a time horizon of one year;

- Idiosyncratic crisis: a situation that leads to a bank run, partial closure of the short-term market and total closure of the medium-/long-term market with continuing business operations. In this scenario, the Group must be able to continue operations for a time horizon of three months;
- Global crisis: a situation having the combined features of both a systemic crisis and an idiosyncratic crisis, in terms of substantial bank run, total closure of the markets, use of reserves even though with write-downs. The Group must be able to continue business operations in a serious crisis for a time horizon of one month.

Within Short-Term Liquidity Risk monitoring, on a monthly basis the Crédit Agricole Italia Banking Group calculates its Liquidity Coverage Ratio (LCR= Stock of high quality liquid assets/Total net cash outflows in the subsequent 30 calendar days). LCR is a 30-day horizon ratio that simulates the combination of a systemic crises and an idiosyncratic one and measures the ability of the stock of liquid assets to ensure coverage of expected net cash outflows in the subsequent 30 calendar days. Furthermore, in compliance with the guidelines issued by the Parent Company, constant compliance with the regulatory threshold is monitored through daily calculation of the Liquidity Coverage Ratio (LCR).

As at 31 December 2019, the Liquidity Coverage Ratio (LCR) of the Crédit Agricole Italia Banking Group was 204%, once again firmly above the set compliance requirements.

Alert thresholds have also been implemented for the management medium-/long-term liquidity, by defining the ratios Position en Resources Stable (PRS) and Coefficient en Resources Stable (CRS). They aim at ensuring financial balance between stable founding (medium-/long-term funding on the market, funding from Customers, own funds) and long-term uses (non-current assets, loans to Customers, Customers' securities and LCR reserves). PRS and CRS positive levels substantiate the Group's ability to support its assets during a crisis.

Moreover, a concentration limit to MLT maturities (Concentration des tombées de dette MLT) has been set, which aims at ensuring balance between maturities of MLT resources and maturities of long-term uses.

The resilience ratios and indicators for every one of the assumed scenarios are calculated on a monthly basis. These ratios and indicators have the purpose of monitoring compliance with the Group's risk appetite and are benchmarked against specific limits laid down by Crédit Agricole S.A. and approved by the Group Risk Committee, within the Risk Strategy submittal, and then submitted to the Board of Directors of the Parent Company Crédit Agricole Italia for its approval.

In March 2019, the Parent Company Crédit Agricole Italia issued Covered Bonds for a total of Euro 1,500 million (of which Euro 750 million placed with institutional investors and Euro 750 million self-held).

In January 2020, the Group went again to the market with a new dual-tranche issue of Covered Bonds with 8-year and 25-year maturities for Euro 500 million and Euro 750 million, respectively. The 25-year maturity tranche was the issue of covered bonds with the longest maturity ever offered in Italy.

With these transactions, the Group aims at further improving its liquidity profile diversifying its funding sources and stabilizing them on longer maturities.

The Banks of the Group participated in the cover pool transferring mortgage loans and obtained their share of M/L term liquidity.

Finally, in marketing the products of the Group's Banks, the internal transfer rate system takes account of the cost of liquidity. Based on the products' financial features and on the prevailing market conditions, the system allows the internal return rate to be determined, which, in turn, is the basis for the pricing of lending and direct funding products.

Risk control

The Risk Management and Permanent Controls Department is responsible for controlling compliance with the set limits; therefore it prepares and issues its own Financial Risk Report on a monthly basis, which includes information on the control outcomes and on any breaches of the limits or alert thresholds and, in case any limits or thresholds are breached, it asks the Finance Department for a recovery plan. On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to the Board of Directors of CA Italia. Finally, in case any limits are breached, the Risk Management and Permanent Controls Department shall inform, through the Alert Procedure, the relevant Top Bodies of the Group and the relevant roles and departments of Crédit Agricole SA. Jointly with the Finance Department, the Risk Management and Permanent Controls Department is also responsible for monitoring the ratios provided for in the Contingency Funding Plan (CFP).

The CFP of the Crédit Agricole Italia Banking Group is approved by the Board of Directors of the Parent Company Crédit Agricole Italia and applies to all the legal entities within the liquidity risk monitoring perimeter.

DISCLOSURE

The document “Disclosure” (Basel III Third Pillar) referring to 31 December 2019 is published on the website https://gruppo.credit-agricole.it/bilanci-Italia.

It is pointed out that the Crédit Agricole Italia Banking Group is controlled by a parent company based in the EU and, therefore, the conditions laid down in Part One, Title II, Chapter 2, Article 13, Paragraph 1 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) on “Application of disclosure requirements on a consolidated basis” are met.

QUANTITATIVE DISCLOSURES

1. Breakdown of financial assets and liabilities by residual contract maturity

Euro

Items/Timeframe	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets										
A.1 Government securities	25	-	382	-	64,066	33,853	237,350	4,876,900	1,890,111	-
A.2 Other debt securities	5	-	-	-	-	-	9,253	20,000	361	135,250
A.3 Units of collective investment undertakings	23,832	-	-	-	-	-	-	-	-	-
A.4 Loans	2,991,584	114,765	215,545	734,979	2,587,115	2,148,566	3,801,189	14,903,320	20,782,863	3,545,957
- banks	174,020	249	267	2,334	353,894	410,988	37,594	101,657	-	3,545,957
- customers	2,817,564	114,516	215,278	732,645	2,233,221	1,737,578	3,763,595	14,801,663	20,782,863	-
On-balance-sheet liabilities										
B.1 Deposits and current accounts	40,630,646	-	-	316	5,840	437	25,355	-	-	-
- banks	565,531	-	-	-	-	-	15,015	-	-	-
- customers	40,065,115	-	-	316	5,840	437	10,340	-	-	-
B.2 Debt securities	138,294	55,671	36,180	53,029	188,409	93,625	95,670	3,757,005	4,492,055	-
B.3 Other liabilities	240,144	-	4,438	7,731	12,450	1,436,915	586,958	2,611,098	931,938	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	-	66,450	3,781	74,413	70,902	81,202	56,950	69,232	46	-
- short positions	-	65,323	3,782	74,435	70,896	81,192	56,938	69,120	46	-
C.2 Financial derivatives without exchange of principal										
- long positions	72,370	3,435	13,751	8,950	64,342	29,689	121,862	138,022	-	-
- short positions	80,580	-	113	36	32,958	10,284	48,205	-	135,000	-
C.3 Deposits and loans to be received										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Other currencies

Items/Timeframe	On demand	From over 1 day to 7 days	From over 7 days to 15 days	More than 15 days to 1 month	From over 1 month up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	More than 1 year up to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.4 Loans	9,470	-	1,522	-	3,763	101	-	-	-	-
- banks	9,035	-	1,522	-	-	-	-	-	-	-
- customers	435	-	-	-	3,763	101	-	-	-	-
On-balance-sheet liabilities										
B.1 Deposits and current accounts	7,317	3,637	3,125	-	-	-	-	-	-	-
- banks	-	3,637	3,125	-	-	-	-	-	-	-
- customers	7,317	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	48	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	-	24,565	-	384	868	1,151	767	-	-	-
- short positions	-	24,508	-	384	868	1,151	767	-	-	-
C.2 Financial derivatives without exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- long positions	-	-	1,250	-	-	-	-	-	-	-
- short positions	-	1,250	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

As at 31 December 2019, the Parent Company Crédit Agricole Italia was carrying out two so-called "internal" securitization transactions transferring receivables deriving from mortgage loans so called "fondiari" secured by first mortgage.

As at 31 December 2019, the residual debt of securitized loans amounted to Euro 2,338 million.

Subsequent to the transfer of the mortgage loans, the Parent Company fully subscribed the securities (Senior and Junior) having the following features:

- Securitization 1:
  - Senior: nominal value Euro 765 million, maturity 31 January 2058, indexed to EUR 6M+0.35%;
  - Junior: nominal value Euro 390 million, maturity 31 January 2058, indexed to EUR 6M+0.60% + variable portion;
- Securitization 2:
  - Senior: nominal value Euro 802 million, maturity 30 April 2060, indexed to EUR 6M+0.75%;
  - Junior: nominal value Euro 453 million, maturity 30 April 2060, indexed to EUR 6M+0.90% + variable portion;

In order to provide the SPE with liquidity to pay the coupons, two Interest Rate Swap transactions were carried with the SPE for a notional value of Euro 765 million and Euro 802 million, respectively, with maturities on 31 January 2058 and 30 April 2060; the derivative amortization reflects the amortization of the senior security.

1.5 OPERATIONAL RISKS

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of operational risks

The Crédit Agricole Italia Banking Group has adopted the definition of operational risk given in "Basel 2 – International Convergence of Capital Measurement and Capital Standards" prepared by the Basel Committee on Banking Supervision.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

To consolidate and enhance control of operational risks, the Group has set clear objectives:

- To achieve full compliance with the requirements set by the Supervisory regulations for internal control systems (Bank of Italy Circular no. 285/2013 as updated);
- To maintain constant full compliance of Crédit Agricole Italia and Crédit Agricole FriulAdria with the regulatory requirements for the use of the Traditional Standardised Approach (TSA) and full compliance of Crédit Agricole Leasing with the requirements for the use of the Basic indicator approach (BIA) to calculate their supervisory capital.
- To constantly improve the monitoring of risks and losses, in order to allow a management- oriented approach, especially in terms of risk mitigation and prevention initiatives, as well as risk culture dissemination;
- Fine-tuning of the permanent controls systems and extension of the coverage of the same controls within the company perimeter.

Macro-organisational aspects

Governance of the Group operational risks is the responsibility of the Risk Management and Permanent Controls Department of Crédit Agricole Italia, which implements the guidelines issued by the Risk Management Department of the Controlling Company Crédit Agricole SA, and reports on a solid line to the latter.

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

In compliance with the supervisory regulations, the Group has formalized the roles and responsibilities of the corporate bodies and structures involved in the management of operational risks.

The governance model provides for:
- A centralized strategy for the control of operational risks;
- Close connections with the activities for permanent controls;
- Synergies with the Compliance Department and with the Internal Audit Department.

Risk management

The Group has adopted a model that is consistent with the guidelines issued by Crédit Agricole and governed by the central department, which works with the well-established and complementary contributions, in its operating, management and mitigation activities, of specialized roles, departments and arrangements:
- ORM (Operational Risk Manager, Italian acronym: MRO);
- Control on Outsourced Important Operational Functions/Provision of Outsourced Essential Services (Italian acronyms FOIE/PSEE) and on Physical Security;
- PRSI (Pilote des Risques SI), in charge of monitoring and control of IT risks on the Information System and on the Business Continuity Plan (BCP or with the Italian acronym PCO);
- Chief Information Security Officer (CISO), who is responsible for the security of corporate information;
- Information Security Manager (ISM): who is responsible for the implementation and management of the Information System operational security;
- Business Continuity Manager (BCM), who is responsible for the Group's Business Continuity Plan;
- Persons in charge of Controls, within the Distribution Network structures, with the task of performing 2nd degree 1st level permanent controls;
- Structures, systems and tools, instrumental for proper risk control and for the management of mitigation/improvement actions, including:
  - The Risk and Internal Control Committee;
  - The FOIE/PSEE Interfunctional Unit for the Provision of Outsourced Important Operational Functions and the Provision of Outsourced Essential Services;
  - The BCP (Business Continuity Plan) Interfunctional Unit;
  - The Supervisory Committee on IT Security and on BCP of the Parent Company CAsa (CSSCA, Supervisory Committee on Security and Business Continuity);
  - The system of permanent controls for the Distribution Network, together with early warning indicators;
  - Work Groups for Improvement.

The upgrading of the process for the management and control of operational risks to the guidelines issued by Crédit Agricole S.A. has been intended for the harmonization with the general methods used throughout the Group and consists of the macro-phases listed below:
- Detection, identification and classification of risks and losses and their recognition in the accounts where necessary;
- Assessment and measurement of the risk profile for every corporate environment;
- Identification of mitigation actions and preparation of the action plan;
- Verification of the adequacy of the control plan;
- Verification of actual implementation of controls;
- Verification of correct exercise of mitigation actions;
- Information and reporting.

In the above phases, the following processes are also applied:
- Loss data collection (recording, classification and processing of loss data);
- Risk self-assessment (self-assessment of the exposure to operational risks relating to the specific structures engaged in operating functions and the relevant processes);
- Direct involvement of corporate structures in collective assessment work groups (FOIE/PSEE, improvement).

Each one of these processes entails information processing based on methods that are predefined, repeatable and formalized in the Company's regulations, as well as with the support of specific application tools.

Risk mitigation

The Group has implemented a policy for operational risk mitigation through:
- Specific self-assessment activities (so-called "Self-Risk Assessment") aimed at defining an annual Action Plan, which is submitted to Board of Directors and contains all the initiatives that the owners of the various corporate processes have identified as required in order to mitigate existing operational risks;
- Implementation and increasing coverage of the permanent controls plan, both on the Distribution Network and on Central Departments, in order to have the most critical processes fully under control;
- A fraud prevention system governed by the Compliance Department;
- Implementation of the arrangement for control and monitoring on outsourced essential services (FOIE/ PSEE):
- Implementation of the arrangement for control and monitoring on physical security;
- Implementation of the function for control and monitoring of Information and Communication Technology (ICT) Risk (including the Business Continuity Plan, BCP).

Transfer of risk

The Structure in charge of Control on the Insurance Coverage of the Group, which is part of the Operational Risks Division of the Risk Management and Permanent Controls Department, is responsible for the process that governs the insurance policies covering the Group's insurable risks and for the definition of the regulations governing it.

The implemented insurance strategy provides – through specific policies – for the coverage of material events having exceptional nature and not for the coverage of recurring routine events having medium-low amounts (the so-called expected losses). It follows that the insurance policies in force cover events that are not frequent but that could have severe consequences, consistently with the insurance approach of the Crédit Agricole Group and in full compliance with the guidelines issued by the Regulator.

Where the outcomes of specific assessments prove it appropriate, the Structure in charge shall:
- Transfer insurable risks underwriting specific insurance policies, in order to mitigate the impact of any unexpected losses and in accordance with the best practices in the System;
- Coordinate with CA S.A., in order to ensure full consistency between the transfer strategy and the Group objectives.
- Exercise control on and provide support to the various corporate structures in outsourcing management, with specific focus on the outsourcing of Important Operational Functions;
- Perform controls and specific analyses on the insurance policies underwritten by the Providers of Outsourced Important Operational Functions (FOIE), in order to assess their adequacy to the risks associated with the outsourced essential services.

Risk management oversight and shared solutions

This is the specific task of the Group Risk and Internal Control Committee, composed of the main Corporate Function Holders, which is responsible for:
- Approving guidelines and action plans on operational risks;
- Acknowledging the LDC (Loss Data Collection) outcomes;
- Monitoring control activities and outcomes, as well as periodically validating the mapping of operational risks;
- Governing Business Continuity for the Crédit Agricole Italia Banking Group;
- Monitoring and, if necessary, taking action on Information and Communication Technology (ICT) Risk for the Crédit Agricole Italia Banking Group, assessing the situation based on the periodic reporting made by the PRSI (Pilote des Risques SI) and by the CISO (Chief Information Security Officer) .
- Assessing the dossiers on outsourced important operational functions and essential services (FOIE/PSEE) for the Crédit Agricole Italia Banking Group;
- Managing risk transfer, with specific reference to insurance coverage.

Loss data

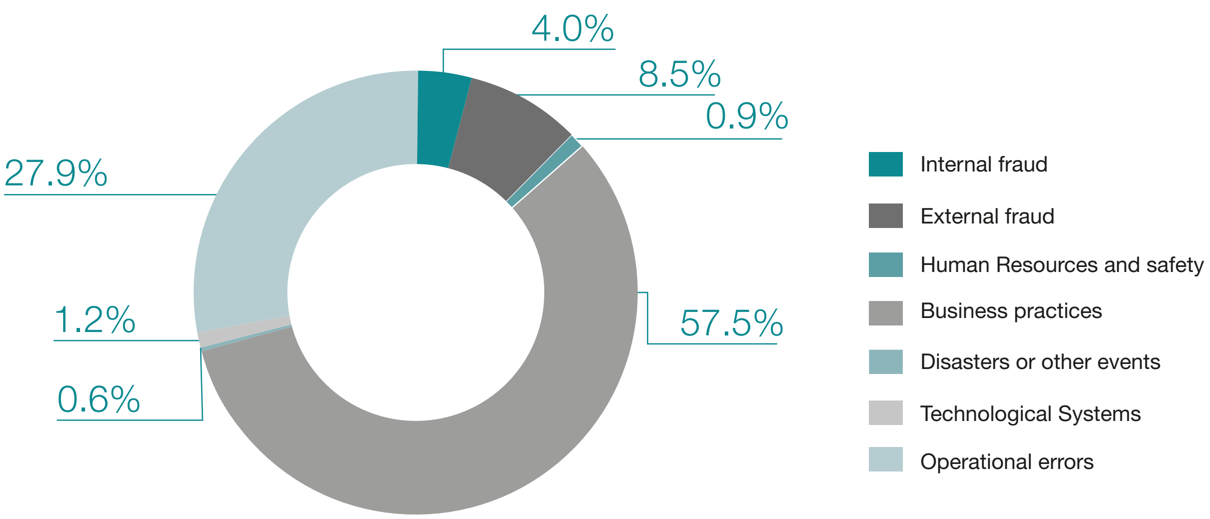
Operational losses, which the model considers as quantitative data, are collected, managed and analyzed, to different levels of granularity and detail, using an event classification scheme complying with the one set by Basel II Framework, by the Supervisory Authority and by Crédit Agricole S.A. The basic structure is given below:

- Internal frauds: events due to deliberate acts committed by at least one party internal to the Bank and causing losses to the Bank;
- External frauds: events due to deliberate acts committed exclusively by parties that cannot be defined as internal to the Bank, generally for the purpose of personal gain;
- Personnel relations and workplace safety: events regarding the relations between the Company and its personnel or regarding noncompliance of the workplace with health and safety standards. These include liabilities arising from accidents to employees occurred in the Bank's offices or vehicles;
- Business practices: events linked to the supply of products and provision of services to Customers carried out in an improper or negligent manner (fiduciary requirements and adequate information on investments), as well as defects in the nature or features of products/models/contracts. These include liabilities arising from breach of public security laws or other legislation not specific to the banking sector;
- Disasters or other events: events due to natural causes or human actions, which lead to damage to company resources (tangible or intangible property, persons, etc.) and/or service interruptions or other events (including improper conduct/illegal acts by third-party companies that damage the company). The category also includes liabilities arising from political changes and retroactive changes in legislation and taxation;
- Technological systems and services: losses arising from malfunctions, logical or structural defects in technological and other support systems;
- Execution, delivery and management of processes: events arising from unintentional errors in the management of operational and support activities or caused by counterparties other than Customers and Vendors.

For Loss Data Collection and for reporting consolidated loss data, the Crédit Agricole Italia Banking Group has implemented an IT application especially designed for the adoption of advanced approaches, as well as specific tools and models developed directly by Crédit Agricole S.A.

QUANTITATIVE DISCLOSURES

With reference to sources of operational risk, the breakdown of net losses (gross losses net of other collection excluding insurance-related ones) by event type recognized in 2019 is given below. Any so-called "boundary losses" have been excluded.



Information and Communication Technology (ICT) Risk

Pursuant to the regulatory provisions issued by the Bank of Italy (Circular 285/13), Information and Communication Technology (ICT) Risk is defined as the "risk of suffering losses, in terms of income, reputation and market shares, associated with the use of Information and Communication Technology (ICT) [...]. In the integrated statement of corporate risks for prudential purposes (ICAAP), this type of risk is included, in accordance with specific aspects, among operational, reputational and strategic risks".

To analyze and assess ICT risks on its IT resources, the Crédit Agricole Italia Banking Group implements and develops the key concepts of the "MESARI Risk Analysis Methodology" of the Parent Company Crédit Agricole S.A., supplementing it, to achieve an overall representation of its risk position, with:
- The definition of the risk taxonomy of the information system;
- The outcomes of the Risk Self-Assessment Process;
- The outcomes of the process for collection of Operational Losses data;
- The outcomes of the Permanent Controls framework;
- Continuous information flows on the main processes/events concerning the Information System and Information System Security, with specific reference to incident management.

The ICT risk governance structure is now fully operational in terms of roles and responsibilities and, in 2019, crosswise actions continued pursuing compliance with regulatory inputs, such as PSD2 (Guidelines on Operational and Security Measures, RTS on SCA&CSC, Major Incidents) and with Bank of Italy Circular no. 285 (as updated in July 2019), Group ones, such as CA Security Strengthening (CARS, CA renforcement de la sécurité).

Furthermore, in 2019 an action was implemented to improve the quality of losses regarding the information systems, specifically on the activities performed by vendors, focusing the risk measurement systems on cyber risk and setting continuous control on the testing of risk mitigation measures for Internet-exposed resources.

The Structures involved in IT Risk Governance are:
- The Risk Management and Permanent Controls Department of the Crédit Agricole Italia Banking Group with the setting up within this Department of a unit engaged in Control of IT Risks (Information System and Information Security System – Italian acronym PRSI);
- The Human Resources, Organization and Strategies Governance Structure of the Crédit Agricole Italia Banking Group, with the Chief Information Security Officer (CISO) placed within this Structure, for the Information Security System scope;
- The Head of the Security Division of Crédit Agricole Group Solutions, who has been vested with the role of Security Manager (RSI – Responsable de la Sécurité Informatique) for the Information Security System scope;
- The Head of the Information Systems Department of Crédit Agricole Group Solutions (CIO, Chief Information Officer) for the Information System scope (other risk not security-related).

Business Continuity Plan (BCP)

In 2019, the Group continued to update and verify its Business Continuity Plan to take account of the changes in the scenario and in the Group's organisational, technology and logistic infrastructure.

In 2019, the main activities were:
- Full implementation of the actions to comply with the Supervisory regulations (Bank of Italy Circular No. 285/2013) as regards the technical-organizational changes occurred in the Group;
- Full implementation of the method adopted by the Parent Company Crédit Agricole S.A. for Business Continuity Management;
- The implementation, on a regular basis, of testing and certification sessions concerning the solutions for the restoration of IT Systems (both mainframe and departmental environments, networks and TLC, Security Control-room) and the critical processes in the business continuity perimeter, including special scenarios of "massive unavailability of servers or workstations (WS)" and "logic unavailability of the information system with restarting from scratch";

- Full implementation of the procedures provided for by the Crisis Management Organizational Model (Italian acronym MOGC) regarding the management of data availability;
- The adequacy assessment and analysis of business continuity plans and of the relevant tests of providers of Outsourced Important Operational Functions (FOIE), with the identification of the new category of non-FOIE vendors involved in critical processes;
- The updating of the Business impact analysis (BIA);
- The updating of contingency Operational Plans (back-up solutions to be triggered in case of crisis);
- Comparison to third-party solutions (e.g. EBA), participating in the simulations of such solutions; The reliability of the business continuity plan was favourably verified by the structures engaged in control functions.

FOIE – Outsourced Essential Services (called PSEE – Provisions of Outsourced Essential Services – by Crédit Agricole S.A.)

The FOIE/PSEE Control function, performed by a unit that is part of the Operational Risks and Permanent Controls Division of the Risk Management and Permanent Controls Department, governs the system of controls on compliance of the process implemented for outsourced essential services; it is also responsible for specific matters in the definition of risk monitoring controls and provides management and methodological support. The unit engaged in the FOIE/PSEE control function chairs and steers the Interfunctional Unit for the Provision of Outsourced Essential Services/Outsourced Important Operational Functions (Italian acronyms: PSEE/FOIE).

In 2019, the most important actions concerned:
- The process to revise the ““Regulation Implementing the Group Outsourcing Policy”, the perimeter of which includes all types of outsourcing and which, together with the “Policy for the Outsourcing of Corporate Functions”:
  - Governs the general process system, taking account also of the actual experience gained internally, as well as of the System best practices;
  - Provides for the activities and obligations for the outsourcing of Information Systems;
  - Lays down the specifications for the outsourcing of cash handling;
- Strong support to the corporate structures in the phases of outsourcing management, aimed both at proper implementation of the process and at wider dissemination of a culture on outsourcing and analysis of the related risks;
- The review and upgrading by the FOIE/PSEE Control Function of the monitoring tools used for outsourced essential services, in order to properly perform its tasks;
- The implementation of general monitoring and increasing the awareness of the outsourced service owners as regards their responsibilities, using also:
  - A specific “Tableau de bord”, managed by the structure in change of control of FOIE/PSEE and aimed, depending on the respective responsibilities, at acquiring all information and updates required to control compliance of all relationships (in terms of agreements and execution) with the regulatory guidelines, both Supervisory and corporate ones;
  - Regular updating of the permanent controls plan;
  - Systematic exercise of specific activities (e.g. risk assessment, participation in work groups), also in cooperation with the corporate structures concerned, for direct monitoring of FOIE-related operational risks.

In 2019, the activities of the Interfunctional Units for the Provision of Outsourced Essential Services/Outsourced Important Operational Functions (Italian acronyms: PSEE/FOIE) continued, mainly aiming at:
- Verifying that the requirements for classification as essential are met or continue to be met for newly-outsourced or already outsourced services, respectively;
- Analyzing and managing the critical situations that actually occurred;
- To increase the awareness of the relevant Corporate Structures in order for them to implement the most suitable solutions to maintain full compliance of all outsourced services they own with the applicable regulations.

The most important results concerned the robustness of contracts with vendors and the consolidation of methods, approaches and culture on this matter, all foreboding satisfactory general quality within the outsourcing of Important Operational Functions (FOI).

PART F – INFORMATION ON CONSOLIDATED EQUITY

Section 1 – consolidated shareholders'equity

A. Qualitative disclosures

The own funds management policy implemented by the Crédit Agricole Italia Banking Group is aimed at maintaining a consistent level of resources in order to be able to cope at any time with the risks taken.

B. Quantitative disclosures

B.1 CONSOLIDATED BOOK EQUITY: BREAKDOWN BY TYPE OF UNDERTAKING

The breakdown of consolidated equity as at 31 December 2019 is given below:

Equity items	Prudential consolidation	Insurance undertakings	Other companies	Netting and adjustments on consolidation	Total 31 Dec. 2019
1. Share Capital	1,246,602		6,178	- 233,130	1,019,650
2. Share premium reserve	3,600,938		1,150	- 396,998	3,205,090
3. Reserves	1,314,361		- 1,999	72,321	1,384,683
4. Equity instruments	715,000			-	715,000
5. (Treasury Shares)	- 5,000			5,000	-
6. Valuation reserves	- 52,690	-	-	- 10,837	- 63,527
- Equity securities designated at fair value through other comprehensive income	- 7,284			- 10,837	- 18,121
- Hedging of equity securities designated at fair value through other comprehensive income					-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	6,087				6,087
- Property, plant and equipment					-
- Intangible assets					-
- Hedging of investments in foreign operations					-
- Cash flow hedges					-
Hedging instruments (non-designated elements)					-
- Foreign exchange differences					-
Non-current assets held for sale and discontinued operations					-
Financial liabilities designated at fair value through profit or loss (changes in own credit rating)					-
- Actuarial gains (losses) pertaining to defined-benefit pension plans	- 51,493				- 51,493
- Shares of valuation reserves on equity investments measured using the equity method					-
- Special revaluation laws					-
7. Profit (loss) for the year (+/-) – attributable to Parent and Minority Interests	375,386		- 117	- 49,113	326,156
Total	**7,194,597**	**-**	**5,212**	**- 612,757**	**6,587,052**

B.2 VALUATION RESERVES OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN

Assets/Values	Prudential consolidation		Insurance undertakings		Other companies		Eliminations and adjustments from consolidation		Total 31 Dec. 2019	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	9,999	-3,912	-	-	-	-	-		9,999	-3,912
2. Equity securities	2,652	-9,936	-	-	-	-	-	-10,837	2,652	-20,773
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 31 Dec. 2019	**12,651**	**-13,848**	**-**	**-**	**-**	**-**	**-**	**-10,837**	**12,651**	**-24,685**
Total 31 Dec. 2018	**1,492**	**-82,052**	**-**	**-**	**-**	**-**	**-**	**-**	**1,512**	**-100,577**

B.3 VALUATION RESERVES OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: CHANGES FOR THE YEAR

	Debt securities	Equity securities	Loans
1. Opening balance	**-86,172**	**-12,893**	**-**
2. Increases	**92,633**	**4,274**	**-**
2.1 Fair value gains	84,974	4,220	-
2.2 Net losses (recoveries) on impairment	810	X	-
2.3 Reversal to profit or loss of negative reserves	6,849	X	-
2.4 Transfers to other equity components (equity securities)	-	54	-
2.5 Other changes	-	-	-
3. Decreases	**-374**		**-**
3.1 Fair value losses	-	-9,247	-
3.2 Impairment provisions	-	-	-
3.3 Reversal to profit or loss of positive reserves from disposal	-374	X	-
3.4 Transfers to other equity components (equity securities)	-	-50	-
3.5. Other changes	-	-205	-
4. Closing Balance	**6,087**	**-18,121**	**-**

B.4 VALUATION RESERVES RELATING TO DEFINED-BENEFIT PLANS: CHANGES FOR THE YEAR

	31 Dec. 2019
1. Opening balance	**-48,921**
2. Increases	**1,828**
2.1 Actuarial gains	834
2.2. Other changes	994
3. Decreases	**4,400**
3.1 Actuarial losses	4,398
3.2. Other changes	2
4. Closing Balance	**-51,493**

Section 2 – Regulatory banking capital and ratios

Please, refer to the disclosure on own funds and capital adequacy contained in Sections 2 and 3 of the public disclosure ("Basel III Pillar 3"), on the website of the Crédit Agricole Italia Banking Group, https://gruppo.credit-agricole.it/, posted concomitantly with the publication of the Parent Company's Annual Report and Financial Statements.

PART G – BUSINESS COMBINATIONS

In 2019 no business combinations were made.

PART H – TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

Finally, on 25 July 2018, the Board of Directors of Crédit Agricole Italia approved the adoption of the new "Regulation on transactions with Associated Persons", which was then adopted by the other Banks and Companies of the Banking Group.

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 (the Italian Securities and Exchange Commission) 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 for risk assets with associated persons, sets the procedures to process and approve transactions with related parties, defines specific rules with regard to transactions with related parties made by the companies belonging to the Group and lays down procedures and timeframes for the provision of reporting and appropriate documentation on the transactions (i) to independent Directors/Related Party Committee, as well as, where necessary, (ii) to the control bodies.

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

Related parties

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 in the supervised intermediary allowing the exercise of Significant Influence;
    3. Exercises control on the bank or on the 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 the 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 in 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 under common 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.

1. Information on remuneration of senior managers tasked with strategic responsibilities

In the light of the above-mentioned Regulation, “Managers with strategic responsibilities include persons” having direct and indirect power and responsibility over the planning, management and control of the operations of Crédit Agricole Italia, including Directors, both executive and non-executive, and the members of control bodies.

The remuneration of Directors and Auditors is established with specific resolutions passed by the General Meeting of Shareholders.

The table below reports the amounts of the main benefits awarded to Directors, Auditors and Managers tasked with strategic responsibilities.

	31.12.2019
Short-term employee benefits	12,644
Post-employment benefits	225
Other long-term benefits	-
Employee severance benefits	-
Share-based payments	-

2. Information on transactions with related parties

Transactions with related parties are the transfer of resources, services or bonds between the Company (or companies directly and/or indirectly controlled) and one or more of the related parties, independently of whether payment was agreed or not. Transactions carried out with related parties have followed the specific procedures provided for by the aforementioned Regulation.

TYPE OF RELATED PARTIES	Financial assets held for trading	Financial assets measured 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 Customers	Financial liabilities measured at amortized cost: due to Banks	Guarantees issued
Controlling Company	-	-	-	525,850	-	914,929	6,277
Entities exercising significant influence on the Company	-	-	-	-	20,570	-	-
Associates	1	-	11,136	-	5,382	-	1,035
Directors and Managers with strategic responsibilities	-	-	2,476	-	4,248	-	680
Other related parties	310	400	5,200,401	475,180	710,507	555,815	260,568
Total	**311**	**400**	**5,214,013**	**1,001,031**	**740,706**	**1,470,744**	**268,561**

Main income transactions with related parties

Type of related parties	Net interest income	Net fee and commission income	Personnel expenses
Controlling Company	-12,571	-1,297	-308
Entities exercising significant influence on the Company	-34	197	-
Associates	248	111	-
Directors and Managers with strategic responsibilities	24	146	-
Other related parties	53,529	433,613	-556

PART I – SHARE-BASED PAYMENTS

QUALITATIVE DISCLOSURES

The Group has no agreements in place for payments based on its shares.

The share capital increase by the French Parent Company Crédit Agricole S.A., in favour of all Employees of the Crédit Agricole S.A. Group was completed in July 2019 with the assignment of shares its Employees.

The Employees were given the opportunity to invest in shares of Crédit Agricole S.A. with a 20% discount vs. market value. These shares will be tied for the following five years (until 31 May 2024), at the end of which time each employee may freely dispose of them.

In 2019, this financial transaction entailed a cost equal to the discount applied to the shares subscribed, which had – as a balancing item in accordance with IFRSs – an identical increase in equity through a specific reserve.

QUANTITATIVE DISCLOSURES

The specific reserve, as reported in the previous paragraph, amounts to Euro 9.6 thousand.

PART L – SEGMENT REPORTING

Operations and profitability by business segment

As stated in "Accounting Policies, Section 4 – Other aspects" and the clarifications given in the introduction on application of the 1st update to Circular No. 262 of 22 December 2005, published by the Bank of Italy on 18 November 2009, listed and publicly held intermediaries shall present segment reporting as provided for by IFRS 8.

Data relating to operations and profitability by business segment is given in compliance with IFRS 8 Operating Segments using the "management reporting approach".

In compliance with the Bank of Italy provisions, segment reporting was prepared, 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: the Retail Banking, Private Banking and Financial Advisors (FA) channels, serving individuals, households and small businesses; the Corporate Banking channel, designed to provide services to larger-size businesses. 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.

Income statement data are reported consistently with the reclassified financial statement layouts given in the Management Report and compared with the 2018 figures net of non-recurring items, while balance sheet data are state consistently with the statutory layouts.

The "Retail Banking, Private Banking and FA" channels achieved operating income of Euro 1,606 million (up by +3% YOY), driven by the increase in net interest income (up by +2%) and in net fee and commission income (up by +4%); thanks also to effective control on operating costs (down by -2%), the operating profit came to Euro 645 million (up by +12%). Net of the Cost of Risk coming to Euro 112 million (down by -6%) and after taxes, Net Profit came to Euro 385 million (up by +22% YOY).

The "Corporate Banking" channel achieved operating income of Euro 318 million (down by -1% YOY): net interest income was stable vs. 2018, whereas net fee and commission income decreased (down by -3%), mostly because of lower fee and commission income from credit lines and one-off transactions made in 2018.

Because of the changes in Operating costs (down by -1%) and in the Cost of Risk (up by +5%) and of taxation, the net profit came to Euro 76 million, down by 4% vs. the previous year.

Assets by segment (point-in-time volumes) consisted of net Loans to Customers; as at 31 December 2019, the assets of the Retail Banking, Private Banking and FA channels amounted to Euro 28.9 billion (up by +2% vs. 31 Dec, 2018) and accounted for 62% of the Group aggregate; the assets of the Corporate Banking channel came to Euro 17.8 billion (up by +1% vs. 31 Dec, 2018) accounting for the remaining 38%.

Liabilities by segment (point-in-time volumes) consisted of direct Funding from Customers; within this aggregate, funding from Customers of the Retail Banking, Private Banking and FA channels came to Euro 33.1 billion (down by -3%) and accounted for 79% of the Group balance; direct funding from Customers of the Corporate Banking channel came to Euro 8.3 billion (up by +7% vs. 31 Dec. 2018), accounting for 20% of the Total figure.

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

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

CA Group Italy	31 Dec. 2019				31 Dec. 2018			
	Retail and Private Banking	Corporate Banking	Other	Total	Retail and Private Banking	Corporate Banking	Other	Total
External Operating Income								
Net interest income	818,319	188,777	2,543	1,009,639	802,394	189,024	(906)	990,512
Net fee and commission income	792,565	118,842	7,906	919,313	761,238	122,994	14,013	898,245
Net profit (loss) on trading activities	3,858	9,583	(3,940)	9,501	4,337	7,226	23,142	34,705
Dividend income			11,368	11,368			12,614	12,614
Other net operating income	(8,726)	724	11,143	3,141	(9,198)	922	10,171	1,895
Total operating income	1,606,016	317,926	29,020	1,952,962	1,558,771	320,166	59,034	1,937,971
Personnel and administrative expenses and depreciation and amortization	(961,084)	(75,305)	(198,761)	(1,235,150)	(983,225)	(75,778)	(214,441)	(1,273,444)
Operating Profit (Loss)	644,932	242,621	(169,741)	717,812	575,546	244,388	(155,407)	664,527
Losses on impairment of other financial assets	(108,156)	(131,458)	(1,910)	(241,524)	(117,155)	(135,173)	(9,934)	(262,262)
Provisioning for risks	(4,048)	(4,815)	(14)	(8,877)	(2,433)	5,138	16,081	18,786
Total Cost of Risk	**(112,204)**	**(136,273)**	**(1,924)**	**(250,401)**	**(119,588)**	**(130,035)**	**6,147**	**(243,476)**
Profit (losses) on equity investments – Profit on disposal of investments			341	341			(181)	(181)
Profit/loss before taxes	532,728	106,348	(171,324)	467,752	455,958	114,353	(149,440)	420,870
Taxes	(147,613)	(30,116)	36,133	(141,596)	(139,556)	(35,000)	45,740	(128,817)
Profit for the year	385,115	76,232	(135,191)	326,156	316,402	79,352	(103,701)	292,053
Assets and Liabilities								
Assets by segment (customers + intangibles)	28,912,300	17,760,183	13,923	46,686,406	28,463,538	17,543,558	8,627	46,015,723
Equity investments in associates			20,483	20,483			27,755	27,755
Unallocated assets			18,947,470	18,947,470			17,706,071	17,706,071
Total Assets	28,912,300	17,760,183	18,981,876	65,654,359	28,463,538	17,543,558	17,742,453	63,749,549
Liabilities by segment	33,073,474	8,288,077	645,965	42,007,515	33,973,549	7,714,698	213,539	41,901,786
Unallocated liabilities			17,059,792	17,059,792			15,469,053	15,469,053
Total Liabilities	**33,073,474**	**8,288,077**	**17,705,757**	**59,067,307**	**33,973,549**	**7,714,698**	**15,682,592**	**57,370,839**

PART M – LEASE REPORTING

SECTION 1 – LESSEE

The additional information on leases required by IFRS16, which applies to reporting periods starting on or after 1 January 2019, is given below.

For the Group, the scope of application comprises property leases and car rentals. Property leases represent the mostly impacted scope, accounting for over 99% of the value of the right-of-use assets recognized as at the date of first-time adoption; those leases concern properties used as branches, officers and guest accommodation.

Table 1- Right of Use

Lease type	Right-of-Use value as at 1 Jan. 2019	Depreciation for the period	Other changes	Impairment loss for the period	Right-of-Use value as at 31 Dec. 2019	No. of Contracts as at 31 Dec. 2019
Buildings used in operations	196,504	- 31,664	12,074	-	176,914	675
Land used in operations	172	-	-	-	172	1
Buildings used for investment	5,570	- 2,443	2,748	-	5,875	270
Other property, plant and equipment assets: motor-vehicles	1,695	- 892	1,391	-	2,194	361
Total	**203,941**	**- 34,999**	**16,213**	**-**	**185,155**	**1,306**

Table 2 – Lease Liability

Lease type	Liability as at 1 Jan. 2019	Interest expenses	Cash outflows	Other changes	Remaining liability as at 31 Dec. 2019	Remaining liability – Breakdown by term to maturity			
						Term to maturity < 1 year	Term to maturity between 1 and 3 years	Maturity between 3 and 6 years	Term to maturity of over 6 years
Buildings and land used in operations	199,083	4,028	- 34,731	12,311	180,691	30,386	55,583	57,604	37,118
Buildings used for investment	5,570	57	- 2,403	2,741	5,965	2,398	3,045	402	120
Other property, plant and equipment assets: motor-vehicles	1,695	17	- 898	1,387	2,201	974	1,043	184	-
Total	206,348	4,102	- 38,032	16,439	188,857	33,758	59,671	58,190	37,238

Table 3 – Breakdown of real estate operating lease contracts by geographical area and by annual lease payment bracket

REGION	Lease payments up to €5 thousand	Lease payments from €5 thousand to €50 thousand	Lease payments from €50 thousand to €100 thousand	Lease payments over €100 thousand	Total
EMILIA ROMAGNA	13	247	25	7	292
LOMBARDY	5	93	31	14	143
VENETO	8	88	21	10	127
TUSCANY	6	63	21	10	100
CAMPANIA		35	20	12	67
LIGURIA	9	43	8	5	65
PIEDMONT	2	36	19	5	62
LAZIO		23	8	21	52
FRIULI VENEZIA GIULIA	2	12	4	1	19
OTHER		13	3	2	18
Total	**45**	**653**	**160**	**87**	**945**

Table 4 – Frequency of payment instalment by lease type

Lease type	Instalment frequency	Number of contracts
Properties used in operations	Monthly	60
	Quarterly	550
	Half-yearly	52
	Other	13
	Total	675
Properties used for investment	Quarterly	266
	Other	4
	Total	270
Motor-vehicles	Monthly	361
	Total	361
Totals		**1,306**

Table 5 – Lease contracts out of the IFRS16 scope of application (recognition exemptions par.5 IFRS16)

The Company has applied par.6 of IFRS16 to short-term leases and to leases with the underlying asset having modest value.

The table below reports the information of which in par. 53 letter d) of IFRS16.

Lease type	Short-term leases - 2019 payments	Low value leases - 2019 payments
Real Estate properties	5,414	234
Motor-vehicles	258	0
PoS systems	0	10,021
Other	450	53
Total (net of VAT)	**6,122**	**10,308**

SECTION 2 – LESSOR

2. FINANCE LEASES

Qualitative information

Finance leases are contracts whereby one of the parties (lessee) asks a lease firm (lessor) to purchase an asset from a manufacturer or seller (supplier) or to have it manufactured, in order to enjoy its use against a periodic lease payment.

The Group and, specifically, Crédit Agricole Leasing Italia recognize finance leases in accordance with IFRS 16 and classifies them under financial assets measured at amortized cost.

In accordance with finance lease contracts (the specialist entity of the Group is Crédit Agricole Leasing Italia) , the lessee, at the end of the set lease term and granted that it has fulfilled all obligations undertaken, is entitled to choose:
- To acquire the ownership of the asset by paying a pre-set price (redemption value);
- To return the leased asset.

Lease terms, whose duration is based on the useful life of the assets, and the pre-set redemption value of the leased assets are such to generally induce lessees to purchase the asset at end of the lease term.

Quantitative information

The table below reposts the classification by time bands of lease payments to be received and the reconciliation between payments to be received and lease loans.

Non-performing exposures (bad loans, Unlikely to Pay non-performing past due exposures) have been allocated to the relevant time bands based on the recovery forecast for financial reporting measurement purposes.

Performing exposures are stated gross of the related writedowns.

TIME BANDS	Total 31 Dec. 2019		
	Lease payments to be received		Total lease payments to be received
	Non-performing exposures	Performing exposures	
Up to 1 year	111,108	410,273	521,381
From over 1 year to 2 years	13,590	359,441	373,031
From over 2 years to 3 years	2,400	294,837	297,237
From over 3 years to 4 years	611	220,409	221,020
From over 4 years to 5 years	246	147,467	147,713
From over 5 years	941	510,482	511,423
Total lease payments to be received	**128,896**	**1,942,909**	**2,071,805**
RECONCILIATION WITH LOANS			
Unearned financial income (-)	-	(177,761)	(177,761)
Unguaranteed residual value (-)			
Collective impairment		(28,114)	(28,114)
Lease loans	**128,896**	**1,737,034**	**1,865,930**

These loans are reported in Part B) of this Note to the financial statements, Section 4 – Financial assets measured at amortized cost: breakdown by type of loans to customers.

Information on interest income on lease loans is given in Part C – Section 1 – Table 1.1 Interest and similar income: breakdown".

Financed assets are different according to the lease applicant and/or the nature of business operations. In general, financed assets belong to 4 categories: motor vehicles (cars, commercial vehicles and industrial vehicles), air rail naval (aircraft, pleasure boats, railway cars), equipment and property (commercial and industrial buildings both completed and to be built) and renewable energy equipment (photovoltaic plants, wind turbines, hydroelectric plants, etc.).

Lease loans classified by quality and type of leased asset

	Lease loans			
	Performing exposures		Non-performing exposures	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
A. Real estate property:	**839,386**	**868,108**	**102,509**	**106,285**
- Land				
- Buildings	839,386	868,108	102,509	106,285
B. Capital assets	**691,203**	**609,858**	**23,369**	**22,244**
C. Movable assets:	**206,445**	**205,819**	**3,018**	**3,716**
- Motor-vehicles	150,520	147,132	2,840	1,661
- Air sea and rail	55,925	58,687	178	2,055
- Other				
D. Intangible assets:	-	-	-	-
- Trademarks				
- Software				
- Other				
Total	**1,737,034**	**1,683,785**	**128,896**	**132,245**

The finance lease contracts signed with Customers provide for risk management in accordance with the Group policies.

Other information

Sale and leaseback transactions

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

Loans resulting from leaseback contracts, which, for Crédit Agricole Leasing Italia S.r.l., have no particular features in their clauses, except possibly in the ones relating to the regulation of the Supplier role (identifiable with the lessee), came to Euro 187.8 million.

3. OPERATING LEASES

The information required by paragraph 97 of IFRS 16 is given below.

3.1 CLASSIFICATION OF PAYMENTS TO BE RECEIVED BY TIME BAND

Time bands	Lease payments to be received
Up to 1 year	1,713
From over 1 year to 2 years	1,610
From over 2 years to 3 years	1,603
From over 3 years to 4 years	1,546
From over 4 years to 5 years	1,481
From over 5 years	4,672
Total	**12,625**

DISCLOSURE OF THE FEES FOR THE AUDIT OF THE ACCOUNTS AND OTHER SERVICES PURSUANT TO THE ITALIAN CIVIL CODE AT ARTICLE 2427, PARAGRAPH 16-BIS

FEES FOR:	31.12.2019
Statutory audit of annual accounts	1,262
Certification services	592
Other services	59
TOTAL	**1,913**

REPORTING ON PUBLIC FUNDING

Public funding transparency requirements are laid down in Article 1, paragraphs 125-129, of Italian Law no. 124/2017 but the wording gave rise to several problems in terms of interpretation and application.

The worries expressed by trade associations (including Assonime, the Italian Association of Joint-stock Companies) were for the most part solve by Article 35 of Italian Decree Law no. 34/2019 (Growth Decree), which, in many cases, clarifies important matters, in order to streamline and rationalize the aforementioned requirements.

The Law establishes the obligation to disclose, in the note to the financial statements as at 31 December 2019 – and, where applicable, in the note to the consolidated financial statements – the amounts of and other information on “grants, subsidies, advantages, contributions or aids, in money of in kind, not given in general and other than considerations, remuneration or compensations, received from public administration bodies and other identified entities” (hereinafter for short “public funding”).

Noncompliance with these obligations is punished with a civil fine equal to 1% of the received amounts, with a minimum fine of Euro 2,000 and the ancillary penalty of complying with the disclosure obligation. If the offender does not comply with the set disclosure obligation and does not pay the fine within 90 days of its imposition, it shall be required to return the all the amounts received to the entities that granted them.

In order to prevent accumulation of non-relevant information, the Euro 10,000 threshold has been kept, below which the recipient is not required to disclose any information on the received public funding.

Furthermore, in August 2017 the Italian national State Aid Registry was set up at the Directorate-general for business incentive at the Italian Ministry of Economic Development, where all State aids and small amount aids to businesses shall be entered by those that give or manage such aids.

For the aids to Crédit Agricole Italia, please refer to the “Registry Transparency” section, which is publicly available.

COUNTRY-BY-COUNTRY REPORTING

Country where the Company is headquartered: ITALY

a) Name of the companies headquartered and nature of their business

Company name	Nature of its business
Crédit Agricole Italia S.p.A.	Joint-stock company operating in the sector of retail banking services, commercial banking services and retail intermediation services
Crédit Agricole FriulAdria S.p.A.	Joint-stock company operating in the sector of retail banking services, commercial banking services and retail intermediation services
Crédit Agricole Leasing Italia S.r.l.	Private limited liability company operating in the placement and management of lease products
Crédit Agricole Group Solutions S.c.p.A.	Not-for-profit consortium company, with the corporate purpose of providing, mainly to and/or in the interest of its shareholders, organizational, technical, IT and administrative services
Mondo Mutui Cariparma S.r.l.	private limited liability company that was incorporated pursuant to the Italian Law on Securitization Transactions and Issue of Covered Bonds; it is currently being used for two securitization transactions
Crédit Agricole Italia OBG S.r.l.	Private limited liability company that was incorporated pursuant to the Italian Law on Securitization Transactions and Issue of Covered Bonds; it is currently being used for a Covered Bond programme
Sliders S.r.l.	Private limited liability company whose corporate purpose comprises the purchase, exchange/swap, sale and lease of property; the acquisition of equity investments to be held as non-current assets
Crédit Agricole Real Estate Italia S.r.l.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
San Piero Immobiliare S.p.A.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
San Giorgio Immobiliare S.p.A.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
Le Village by CA Parma S.r.l.	Private limited liability company that operates to promote and spread innovation in products, services and processes
Agricola Le Cicogne S.r.l.	Private limited liability company operating in the management of land and farms, both owned and of third parties

b) Revenue

Item (thousands of Euros)	31.12.2019
Net interest and other banking income	1,929,933

c) Number of employees

Item	31.12.2019
Number of employees expressed as full-time equivalents	9,737
Number of employees	9,751

d) Profit or loss before tax

Item (thousands of Euros)	31.12.2019
Profit before tax on continuing operations	467,752

e) Taxes on profit or loss

Item (thousands of Euros)	31.12.2019
Taxes on income from continuing operations	-141,596

f) Government grants received

Item (thousands of Euros)	31.12.2019
Government grants	832

Crédit Agricole Italia

Annual Report and Financial Statements 2019

Financial highlights and ratios

Income Statement highlights (°) (in thousands of Euro)	31.12.2019	31.12.2018	Changes	
			Absolute	%
Net interest income	807,445	704,551	102,894	14.6
Net fee and commission income	776,783	682,041	94,742	13.9
Dividend	55,404	68,241	-12,837	-18.8
Income from banking activities	7,587	21,596	-14,009	-64.9
Other operating income (expenses)	2,991	3,182	-191	-6.0
Net operating income	1,650,210	1,479,611	170,599	11.5
Operating expenses	-1,029,139	-963,400	65,739	6.8
Operating margin	621,071	516,211	104,860	20.3
Cost of Risk	-211,954	-180,610	31,344	17.4
Of which net value adjustments of loans	-201,898	-201,209	689	0.3
Net profit (loss)	302,571	252,124	50,447	20.0

Balance Sheet highlights(°) (thousands of Euro)	31.12.2019	31.12.2018 (*)	Changes	
			Absolute	%
Loans to customers	43,459,617	40,006,172	3,453,445	8.6
Of which Securities measured at amortized cost	4,180,175	3,897,200	282,975	7.3
Net financial Assets/Liabilities at fair value	26,012	30,230	-4,218	-14.0
Financial assets measured at fair value through other comprehensive income	2,720,419	2,672,300	48,119	1.8
Net loans to banks	283,977	-401,778	685,755	
Equity investments	1,074,438	1,371,395	-296,957	-21.7
Property, plant and equipment and intangible assets	2,006,353	1,670,816	335,537	20.1
Total net assets	52,309,130	47,776,657	4,532,473	9.5
Funding from Customers	43,413,153	39,291,595	4,121,558	10.5
Indirect funding from Customers	63,303,571	52,568,026	10,735,545	20.4
of which: asset management	31,790,381	25,854,094	5,936,287	23.0
Equity	6,389,145	6,160,108	229,037	3.7

Operating structure	31.12.2019	31.12.2018	Changes	
			Absolute	%
Number of employees	7,677	7,046	631	9.0
Average number of employees [(§)]	7,191	6,777	414	6.1
Number of branches	731	727	4	0.6

(°) The Ratios are based on the balance sheet and income statement data restated in the reclassified financial statements shown on pages 305 and 313
(*) The 2018 item "Net due to banks" was reclassified for comparability with 2019 figures
(§) The average number has been calculated as the weighted average of employees and atypical workers, where the weight is the number of months worked in the year; part-time staff is conventionally weighted at 50%

Structure ratios (*)	31.12.2019	31.12.2018
Loans to customers /Total net assets	75.1%	75.6%
Direct funding from Customers/Total net assets	83.3%	82.2%
Asset management/Total indirect funding from Customers	50.2%	49.2%
Loans to Customers/ Direct funding from Customers	100.1%	101.8%
Total assets/Equity	9.3	9.1

Profitability ratios (*)	31.12.2019	31.12.2018
Net interest income/Net operating income	48.9%	47.6%
Net fee and commission income/Net operating income	47.1%	46.1%
Cost/Income ratio (^)	60.3%	63.0%
Net income/Average equity (ROE) (a)	4.9%	4.3%
Net income/Average Tangible Equity (ROTE) (a)	5.9%	5.4%
Net profit/Total assets (ROA)	0.5%	0.5%
Net profit/Risk-weighted assets	1.3%	1.2%

Risk ratios (*)	31.12.2019	31.12.2018
Gross bad loans/Gross loans to Customers	3.5%	3.9%
Net bad loans/Net loans to Customers	1.2%	1.3%
Impairments of loans/Net loans to Customers	0.5%	0.6%
Cost of risk(b)/Operating margin	34.1%	35.0%
Net bad loans/Total Capital (c)	8.6%	8.4%
Net non-performing loans/Net loans to Customers (net NPE ratio)	3.4%	3.8%
Gross non-performing exposures/Gross loans to customers (gross NPE ratio)	6.9%	7.6%
Total Impairments of non-performing loans/Gross non-performing loans	52.6%	51.7%

Productivity ratios(°) (in income terms)	31.12.2019	31.12.2018
Operating expenses/No. of Employees (average)	143.1	142.2
Operating income/No. of Employees (average)	229.5	218.3

Productivity ratios(°) (in financial terms)	31.12.2019	31.12.2018
Loans to Customers/No. of Employees (average)	5,462.3	5,328.2
Direct funding from Customers/No. of Employees (average)	6,037.2	5,797.8
Gross banking income (d) / No. of employees (average)	20,302.6	18,882.8

Capital and liquidity ratios	31.12.2019	31.12.2018
Common Equity Tier 1 (e) / Risk-weighted assets (CET 1 ratio)	17.5%	18.1%
Tier1(f) /Risk-weighted assets (Tier 1 ratio)	20.5%	21.5%
Total Capital (c) /Risk-weighted assets (Total capital ratio)	24.1%	25.4%
Risk-weighted assets (Euro thousands)	23,730,138	21,195,225
Liquidity Coverage Ratio (LCR)	212%	153%

(°) The Ratios are based on the balance sheet and income statement data restated in the reclassified financial statements shown on pages 305 and 313
(^) Ratio calculated excluding ordinary and extraordinary contributions to support the banking system
(a) Ratio of net earnings to equity weighted average (for ROTE net of intangibles).
(b) The cost of risk includes provisioning for risks and charges, net value adjustments of loans and impairment of securities
(c) Total Capital: total regulatory own funds.
(d) Loans to Customers + Direct Funding + Indirect Funding
(e) Common Equity Tier 1: Common Equity Tier 1
(f) Tier 1: Tier 1 Capital.

Management Report

PERFORMANCE OF OPERATIONS

In July and December 2019, Crédit Agricole Carispezia and the Real Estate companies Unibanca Immobiliare, Carice Immobiliare (formerly subsidiaries of Cassa di Risparmio di Cesena) and San Genesio Immobiliare (formerly a subsidiary of Cassa di Risparmio di San Miniato) were merged by absorption into the Parent Company Crédit Agricole Italia.

In accounting terms, the mergers entailed the inclusion of the income statement and balance sheet aggregates of the absorbed entities in the accounts of the Parent Company effective as of 1 January 2019; consequently, the 2019 data are not comparable to the data as at 31 December 2018 because of the different perimeter.

Specifically, the most considerable impacts from the merger of Crédit Agricole Carispezia concerned:
- Balance sheet aggregates: as at 31 December 2018 Crédit Agricole Carispezia reported intermediation volumes for approximately Euro 10 billion, of which Euro 2.8 billion of net loans to customers, Euro 3.4 billion of direct funding and Euro 3.5 billion of indirect funding;
- Income statement aggregates: in 2018 Crédit Agricole Carispezia reported net income amounting to Euro 156 million, operating costs amounting to Euro 94 million and a net profit of Euro 35 million.

THE PERFORMANCE OF BALANCE SHEET AGGREGATES

In 2019, Crédit Agricole Italia strengthened its ability to attract investors' savings and to support the real economy, while keeping the correct balance between funding and uses, as substantiated by the increase in intermediated assets and with asset quality improving at the same time.

Reclassification of the Balance Sheet

In order to provide a more direct representation of the Company's balance sheet and financial position, a summary balance sheet was prepared by suitably grouping balance-sheet items. These grouping concerned:
- Presentation of Financial Assets/Liabilities at fair value on a net basis;
- Presentation of loans from/loans to banks on a net basis;
- Inclusion of the value of hedging derivatives and of the value adjustment of financial assets/liabilities subject to macro-hedging in the Other Assets/Other Liabilities items;
- Grouping of Intangible Assets and Property, Plant and Equipment into a single aggregate;
- Inclusion of the item "Cash and cash equivalents" in the "Other Assets" residual item;
- Grouping in the "Funding from customers" item of the "loans to customers" and "Debt securities issued" items;
- The reclassification of lease liabilities from "funding from Customers" and from "net due from/to banks" to "other liabilities";
- Grouping of specific-purpose provisions (i.e. Provision for employee severance benefits and Provisions for risks and charges) into a single aggregate.

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

Reclassified Balance Sheet

Assets	31.12.2019	31.12.2018 (*)	Changes	
			Absolute	%
Net financial Assets/Liabilities measured at fair value	26,012	30,230	-4,218	-14.0
Financial assets measured at fair value through other comprehensive income	2,720,419	2,672,300	48,119	1.8
Net loans from banks	283,977	-401,778	685,755	
Loans to Customers	43,459,617	40,006,172	3,453,445	8.6
Equity investments	1,074,438	1,371,395	-296,957	-21.7
Property, plant and equipment and intangible assets	2,006,353	1,670,816	335,537	20.1
Tax assets	1,318,991	1,384,327	-65,336	-4.7
Other assets	1,419,323	1,043,195	376,128	36.1
Total assets	**52,309,130**	**47,776,657**	**4,532,473**	**9.5**

Liabilities	31.12.2019	31.12.2018 (*)	Changes	
			Absolute	%
Funding from Customers	43,413,153	39,291,595	4,121,558	10.5
Tax liabilities	222,272	184,909	37,363	20.2
Other liabilities	1,875,503	1,694,080	181,423	10.7
Specific-purpose provisions	409,057	445,965	-36,908	-8.3
Capital	979,233	962,672	16,561	1.7
Equity instruments	715,000	715,000	-	-
Reserves (net of treasury shares)	4,437,131	4,336,739	100,392	2.3
Valuation reserves	-44,790	-106,427	-61,637	-57.9
Net profit (Loss) for the year	302,571	252,124	50,447	20.0
Total liabilities and equity	**52,309,130**	**47,776,657**	**4,532,473**	**9.5**

(*) The 2018 “Net due to banks” item was reclassified to be comparable with 2019 figures

Reconciliation of the Official and Reclassified Balance Sheets

Assets	31.12.2019	31.12.2018 (*)
Net financial Assets/Liabilities measured at fair value	**26,012**	**30,230**
20 a. Financial assets held for trading	82,055	86,039
20 c. Financial assets mandatorily measured at fair value	9,599	5,569
20. Financial liabilities held for trading	-65,642	-61,378
Financial assets measured at fair value through other comprehensive income	**2,720,419**	**2,672,300**
30. Financial assets measured at fair value through other comprehensive income	2,720,419	2,672,300
Net loans from banks	**283,977**	**-401,778**
40 a. Loans from banks	7,522,014	7,587,016
10 a. Loans to banks	-7,238,314	-7,988,794
To deduct: Lease liabilities	277	-
Loans to Customers	**43,459,617**	**40,006,172**
40 b. Loans to Customers	43,459,617	40,006,172
Equity investments	**1,074,438**	**1,371,395**
70. Equity investments	1,074,438	1,371,395
Property, plant and equipment and intangible assets	**2,006,353**	**1,670,816**
80. Property, Plant and Equipment	818,422	592,566
90. Intangible assets	1,187,931	1,078,250
Tax assets	**1,318,991**	**1,384,327**
100. Tax assets	1,318,991	1,384,327
Other assets	**1,419,323**	**1,043,195**
10. Cash and cash equivalents	326,279	224,047
50. Hedging derivatives (Assets)	668,306	435,675
60. Fair value change of financial assets in macro-hedge portfolios	97,609	27,731
120. Other assets	327,129	355,742
Total assets	**52,309,130**	**47,776,657**

Liabilities	31.12.2019	31.12.2018 (*)
Funding from Customers	**43,413,153**	**39,291,595**
10 b. Due to Customers	34,552,965	31,121,033
To deduct: Lease liabilities	-156,328	-
10 c. Debt securities issued	9,016,516	8,170,562
Tax liabilities	**222,272**	**184,909**
60. Tax liabilities	222,272	184,909
Other liabilities	**1,875,503**	**1,694,080**
10 a. Loans to banks: of which lease liabilities	277	-
10 b. Loans to customers: of which lease liabilities	156,328	-
40. Hedging derivatives (Liabilities)	415,395	426,993
50. Fair value change of financial liabilities in macro-hedge portfolios	341,807	259,634
80. Other liabilities	961,696	1,007,453
Specific-purpose provisions	**409,057**	**445,965**
90. Employee severance benefits	96,811	94,809
100. Provisions for risks and charges	312,246	351,156
Capital	**979,233**	**962,672**
160. Capital	979,233	962,672
Capital instruments	**715,000**	**715,000**
130. Capital instruments	715,000	715,000
Reserves (net of treasury shares)	**4,437,131**	**4,336,739**
140. Reserves	1,318,750	1,218,490
150. Share premium reserve	3,118,381	3,118,249
Valuation reserves	**-44,790**	**-106,427**
110. Valuation reserves	-44,790	-106,427
Profit (Loss) for the year	**302,571**	**252,124**
180. Profit (Loss) for the year	302,571	252,124
Total liabilities and equity	**52,309,130**	**47,776,657**

(*) The 2018 “Net due to banks” item was reclassified to be comparable with 2019 figures

Loans to Customers

	31.12.2019	31.12.2018	Changes	
			Absolute	%,
- Current accounts	2,121,616	2,212,188	-90,572	-4.1
- Mortgage loans	25,109,206	22,427,895	2,681,311	12.0
- Advances and credit facilities	10,710,439	10,079,184	631,255	6.3
- Non-performing loans	1,338,181	1,389,705	-51,524	-3.7
Loans to Customers	**39,279,442**	**36,108,972**	**3,170,470**	**8.8**
Securities measured at amortized cost	4,180,175	3,897,200	282,975	7.3
Total loans to Customers	**43,459,617**	**40,006,172**	**3,453,445**	**8.6**

Net loans to Customers came to Euro 39 billion, increasing by Euro 3.2 billion (up by +8.8%) vs. 2018; the largest component is that of mortgage loans, which came to Euro 25 billion.

In the before-merger perimeter (considering also the Euro 2.8 billion amount of the absorbed entity, the YOY increase would be 1%.

Credit quality

	31.12.2019			31.12.2018		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
- Bad loans	1,443,902	987,109	456,793	1,476,741	1,023,826	452,915
- Unlikely to Pay	1,359,034	495,301	863,733	1,370,332	462,148	908,184
- Past-due/overlimit loans	20,265	2,610	17,655	31,794	3,188	28,606
Non-performing loans	**2,823,201**	**1,485,020**	**1,338,181**	**2,878,867**	**1,489,162**	**1,389,705**
- Performing loans – stage 2	2,041,490	112,270	1,929,220	2,098,600	133,121	1,965,479
- Performing loans – stage 1	36,073,600	61,559	36,012,041	32,810,973	57,185	32,753,788
Performing loans	**38,115,090**	**173,829**	**37,941,261**	**34,909,573**	**190,306**	**34,719,267**
Loans to Customers	**40,938,291**	**1,658,849**	**39,279,442**	**37,788,440**	**1,679,468**	**36,108,972**
Securities measured at amortized cost	4,185,153	4,978	4,180,175	3,900,968	3,768	3,897,200
Total loans to Customers	**45,123,444**	**1,663,827**	**43,459,617**	**41,689,408**	**1,683,236**	**40,006,172**

	31.12.2019			31.12.2018		
	Gross/total exposure	Net/total exposure	Coverage ratio	Gross exposure weight	Net/total exposure	Coverage ratio
- Bad loans	3.5%	1.2%	68.4%	3.9%	1.3%	69.3%
- Unlikely to Pay	3.3%	2.2%	36.4%	3.6%	2.5%	33.7%
- Past-due/overlimit loans	0.0%	0.0%	12.9%	0.1%	0.1%	10.0%
Non-performing loans	**6.9%**	**3.4%**	**52.6%**	**7.6%**	**3.8%**	**51.7%**
- Performing loans – stage 2	5.0%	4.9%	5.5%	5.6%	5.4%	6.3%
- Performing loans – stage 1	88.1%	91.7%	0.2%	86.8%	90.7%	0.2%
Performing loans	**93.1%**	**96.6%**	**0.5%**	**92.4%**	**96.2%**	**0.5%**
Loans to Customers	**100.0%**	**100.0%**	**4.4%**	**100.0%**	**100.0%**	**4.4%**

The development in loans to customers was achieved with constant and close attention to credit quality; the weight of non-performing loans on total loans to customers came to 6.9%, net of provisions, the weight of net non-performing loans on net loans came to 3.4%. The coverage ratio, i.e. the ratio of total adjustments to the amount of gross non-performing loans, was stable and at absolutely conservative levels (at 52.6%).

In the reporting year, transactions were finalized for the disposal of non-performing loans for a gross amount of approximately Euro 165 million (of which Euro 106 million worth of unsecured bad loans) with limited impact on profit and loss.

Funding from Customers

	31.12.2019	31.12.2018	Changes	
			Absolute	%
- Deposits	1,486,470	1,803,932	-317,462	-17.6
- Current and other accounts	32,744,877	29,198,789	3,546,088	12.1
- Other items	165,290	117,177	48,113	41.1
- Repurchase agreements	-	1,135	-1,135	
Loans to Customers	**34,396,637**	**31,121,033**	**3,275,604**	**10.5**
Debt securities issued	**9,016,516**	**8,170,562**	**845,954**	**10.4**
Total direct funding	**43,413,153**	**39,291,595**	**4,121,558**	**10.5**
Indirect funding	**63,303,571**	**52,568,026**	**10,735,545**	**20.4**
Total funding	**106,716,724**	**91,859,621**	**14,857,103**	**16.2**

As at 31 December 2019, total funding (direct and indirect funding) came to Euro 106.7 billion (up by +16%); considering the before merger perimeter (thus considering the amount of Euro 6.9 billion of the absorbed entity as at 31 December 2018), the YOY increase would be of approximately 8%.

Direct funding came to Euro 44 billion, of which Euro 35 billion worth of short-term items (mostly current accounts) and Euro 9 billion worth of debt securities issued: the latter aggregate was impacted by the new issues of bonds reserved to institutional investors. In 2019, Covered Bonds for Euro 750 million and Senior Non-Preferred Debt Instruments for Euro 440 million were issued, which ensured further improvement in the Bank's capital and liquidity ratios and largely offset the debenture loans held by Retail customers.

In early 2020, taking advantage also of the favourable market conditions, the Crédit Agricole Italia Group issued a new dual-tranche Covered Bond, with maturities of 8 and 25 years, for a total value of Euro 1.25 billion. It was the first Italian issued of Covered Bonds in 2020 and gave evidence of one of the highest demands for Covered Bonds in the Italian market, with one the smallest spreads in recent times.

Indirect funding

	31.12.2019	31.12.2018	Changes	
			Absolute	%
- Asset management products	14,671,596	11,819,079	2,852,517	24.1
- Insurance products	17,118,785	14,035,015	3,083,770	22.0
Total assets under management	**31,790,381**	**25,854,094**	**5,936,287**	**23.0**
Assets under administration	**31,513,190**	**26,713,932**	**4,799,258**	**18.0**
Indirect funding	**63,303,571**	**52,568,026**	**10,735,545**	**20.4**

Indirect funding came to Euro 63 billion; considering the before-merger perimeter, the increase would be of Euro 7 billion (up by+13%).

Asset management component came to Euro 32 billion (up by Euro 3 billion, i.e up by +11% considering the before-merger perimeter) achieving a higher value than that of assets under administration; this increase is evenly divided between the insurance component and the component of funds and asset management.

Assets under administration came to Euro 32 billion (up by Euro 4 billion considering the before-merger perimeter).

Financial assets and liabilities measured at fair value

	31.12.2019	31.12.2018	Changes	
			Absolute	%
Financial assets and liabilities measured at fair value through profit or loss				
- Debt securities	93	89	4	4.5
- Equity securities and units of collective investment undertakings	33,432	30,573	2,859	9.4
- Loans	-	6,439	-6,439	
- Financial derivates with positive FV	58,129	54,507	3,622	6.6
Total assets	**91,654**	**91,608**	**46**	**0.1**
- Financial derivates with negative FV	65,642	61378	4,264	6.9
Total liabilities	**65,642**	**61,378**	**4,264**	**6.9**
Net Total	**26,012**	**30,230**	**-4,218**	**-14.0**
Financial assets measured at fair value through other comprehensive income				
- Debt securities	2,478,066	2,438,308	39,758	1.6
- Equity securities	242,353	233,992	8,361	3.6
Total	**2,720,419**	**2,672,300**	**48,119**	**1.8**

As at 31 December 2019, "Financial assets measured at fair value through other comprehensive income" amounted to Euro 2.7 billion and mostly consisted of Italian Government bonds.

Government securities held

	31.12.2019		
	Nominal value	Book value	Revaluation reserve
Financial assets held for trading			
Italian Government securities	11	15	X
Argentinian Government securities	26	-	X
Financial assets measured at fair value through other comprehensive income			
Italian Government securities	2,209,000	2,478,066	7,114
Financial assets measured at amortized cost			
Italian Government securities	3,756,000	4,010,447	X
Total	**5,965,037**	**6,488,528**	**7,114**

Among financial assets measured at amortized cost, government securities were recognized amounting to Euro 4 billion: this allocation is consistent with the management approach adopted by the Crédit Agricole Italia Banking Group to invest liquidity, which, in compliance with the current monetary policies of the ECB, gives preference to High Quality Liquidity Assets, thus optimizing their contribution to net interest income and generating positive impacts on liquidity ratios.

Equity investments

	31.12.2019	31.12.2018	Changes	
			Absolute	%
- Subsidiaries	1,053,798	1,343,794	-289,996	-21.6
- Joint arrangements	-	-	-	-
- Investees subject to significant influence	20,640	27,601	-6,961	-25.2
Total	**1,074,438**	**1,371,395**	**-296,957**	**-21.7**

Property, plant and equipment and intangible assets

As at 31 December 2019, Property, plant and equipment came to Euro 2 billion; this aggregate reports Euro 151 million worth of assets recognized subsequent to the adoption of the new IFRS 16, which applies to reporting periods starting on or after 1 January 2019 replacing IAS 17 and, therefore, impacts on the recognition of lease, rental, hire and loan agreements, because it provides for a new definition based on the transfer of the "right of use" of the leased, rented or hired asset. The new standard requires all leases to be recognized by the lessee in the Balance Sheet as assets and liabilities.

Specific-purpose provisions

	31.12.2019	31.12.2018	Changes	
			Absolute	%
Employee severance benefits	96,811	94,809	2,002	2.1
Provisions for risks and charges	312,246	351,156	-38,910	-11.1
a) commitments and guarantees given	27,210	30,007	-2,797	-9.3
b) post-employment and similar obligations	37,325	35,621	1,704	4.8
c) other provisions for risks and charges	247,711	285,528	-37,817	-13.2
Total specific-purpose provisions	**409,057**	**445,965**	**-36,908**	**-8.3**

Specific-purpose provisions came to Euro 409 million, decreasing by Euro 37 million (down by -8%) vs. 2018. This aggregate consists of Euro 97 million worth of provisions for Employee severance benefits and of Euro 312 million worth of provisions for risks and charges (personnel expenses, operational risks and legal disputes, misselling and other risks in business with Customers).

Equity

	31.12.2019	31.12.2018	Changes	
			Absolute	%
Share capital	979,233	962,672	16,561	1.7
Share premium reserve	3,118,381	3,118,249	132	-
Income reserves	1,315,927	1,215,675	100,252	8.2
Other reserves	2,823	2,815	8	0.3
Valuation reserves for financial assets through other comprehensive income	696	-65,752	66,448	
Valuation reserves for actuarial gains (losses) relating to defined-benefit pension plans	-45,486	-40,675	4,811	11.8
Equity instruments	715,000	715,000	-	-
Net profit for the year	302,571	252,124	50,447	20.0
Total (book) equity	**6,389,145**	**6,160,108**	**229,037**	**3.7**

As at 31 December 2019, equity amounted to Euro 6.4 billion, increasing by Euro 229 million vs. 31 December 2018. This increase was affected by the absorption of Crédit Agricole Carispezia (Euro 200 million as at 31 December 2018).

The change in share capital reports the share capital increase of approximately Euro 17 million intended for Fondazione Carispezia within the merger by absorption of Crédit Agricole Carispezia and, for the remaining portion, the effect of the exercise of warrants on shares of the absorbed subsidiary Cassa di Risparmio di Cesena.

The reserves for valuation of financial assets report the positive impact generated by the valuation of Government securities held among financial assets through other comprehensive income.

The "Capital instruments" item reports the amount of the Additional Tier 1 (AT1) instruments.

Own Funds and capital ratios

	31.12.2019	31.12.2018
A. Common Equity Tier 1 – CET1 prior to the application of prudential filters	5,672,645	5,292,096
of which CET1 instruments subject to transitional arrangements	-	-
B. CET1(+/-) prudential filters	-7,772	-7,934
C. CET1 including elements to be deducted and the effects of the transitional regime (A+/-B)	5,664,873	5,284,162
D. Elements to be deducted from CET1	**1,521,320**	**1,444,389**
E. Transitional regime – Impact on CET1 (+/-)	-	-
F. Total Common Equity Tier 1 – CET1 (C-D+/-E)	**4,143,553**	**3,839,773**
G. Additional Tier 1 – AT1 including elements to be deducted and the effects of the transitional regime	**715,000**	**715,000**
of which AT1 instruments subject to transitional arrangements	-	-
H. Elements to be deducted from AT1	-	-
E. Transitional regime- Impact on AT1 (+/-)	-	-
L. Total Additional Tier 1 – AT1 (G-H+/-I)	**715,000**	**715,000**
M. Tier 2 – T2 including elements to be deducted and the effects of the transitional regime	**866,423**	**824,174**
of which T2 instruments subject to transitional arrangements	2,588	5,511
N. Elements to be deducted from T2	-	-
O. Transitional regime- Impact on T2 (+/-)	-	-
P. Total Tier 2 -T2 (M-N+/-O)	**866,423**	**824,174**
Q. Total own funds (F+L+P)	**5,724,976**	**5,378,947**

	Non-weighted amounts		Weighted amounts/requirements	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
A. RISK ASSETS				
A.1 Credit and counterparty risks	60,997,310	56,921,454	21,040,197	19,036,804
1. Standardized Approach	41,406,788	37,932,524	17,311,613	15,647,602
2. IRB approach	19,590,522	18,988,930	3,728,584	3,389,202
2.1 Foundation	-	-	-	-
2.2 Advanced	19,590,522	18,988,930	3,728,584	3,389,202
3. Asset-backed securities	-	-	-	-
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risks			1,683,216	1,522,944
B.2 Risk of value adjustments of loans			5,048	5,016
B.3 Regulatory risk			-	-
B.2 Market risks			**8,002**	**8,257**
1. Standardized Approach			8,002	8,257
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational risk			**202,145**	**159,401**
1. Basic indicator approach			-	-
2. Standardized approach			202,145	159,401
3. Advanced approach			-	-
B.5 Other measurement elements			-	-
B.6 Total prudential requirements			1,898,411	1,695,618
C. EXPOSURES AND CAPITAL ADEQUACY RATIOS				
C.1 Risk-weighted assets			23,730,138	21,195,225
C.2 Common Equity Tier 1/Risk-weighted assets (CET 1 capital ratio)			17.5%	18.1%
C.3 Tier 1/Risk-weighted assets (Tier 1 capital ratio)			20.5%	21.5%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			24.1%	25.4%

As at 31 December 2019, common equity tier 1 came to Euro 4,144 million, increasing vs. the previous year (Euro 3,840 million) and includes, the effects of the Recommendation issued by the ECB on 27 March 2020 not to proceed with the distribution of profits during the Covid-19 pandemic (ECB-2020/1) as proposed by the Board of Directors at the Shareholders' Meeting, the improvement in the valuation reserve for government securities subsequent to the reduction in the BTP/Bund spread occurred in 2019, the reduction in the loss DTA stock. Specifically, the 2019 profit distribution was 70%. These effects were partially offset by the recognition of goodwill referring to Crédit Agricole Carispezia subsequent to its merger by absorption into Crédit Agricole Italia.

In the reporting period no Additional Tier 1 subordinated instruments were issued, while a Tier 2 subordinated instrument was issued for Euro 80 million.

Crédit Agricole Italia decided not to apply the transitional arrangements provided for by Regulation (EU) 2395/2017 amending Regulation (EU) No 575/2013 (CRR) as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds inserting Article 473a "Introduction of IFRS 9".

Risk-weighted assets came to Euro 23,730 million, increasing vs. 2018 (up by Euro 2.5 billion) mainly for the effects of the merger of Crédit Agricole Carispezia, the development in business and the impacts from the developments in prudential regulation (for example, IFRS16, speculative property treatment).

Subsequent to the aforementioned developments, the common equity tier 1 ratio as at 31 December 2019 came to 17.5% (18.1% as at 31 December 2018), the Tier 1 ratio to 20.5% (21.5% as at 31 December 2018) and the total capital ratio to 24.1% (25.4% as at 31 December 2018): all ratios are well above the regulatory requirements.

PROFIT OR LOSS

Income Statement reclassification

In order to represent performance more effectively, a summary income statement has been prepared with appropriate reclassifications and based on reporting criteria fit to report the various items on the basis of consistent operational standards.

The reclassifications concerned the following:

- The effect of the amortized cost of hedging of debt instruments has been reported under the "Net Interest Income" item rather than under "Profits (Losses) on Hedging Activities";
- "Net Profit (Loss) from trading activities", "Net Profit (Loss) from hedging activities" and "Net Profit (Loss) from financial assets and liabilities measured at fair value through profit or loss" have been reported under "Profit (Loss) from Banking Activities";
- "Profit (losses) from disposal or repurchase of securities classified as financial assets measured at amortized cost" and "Profit (losses) from disposal or repurchase of financial assets measured at fair value through other comprehensive income" and "Profit (losses) from disposal or repurchase of financial liabilities" have been reported under Profit (Loss) from banking activities;
- "Expenses, taxes and levies" recovered have been reported as a direct decrease in "Administrative Expenses", rather than being recognized under "Other operating income/expenses";
- "Expenses for the management of non-performing loans and the relevant recoveries" have been reclassified as "Net Value Adjustments of Loans";
- Commission income for fast loan application processing has been taken to "Fee and Commission Income" rather than being recognized under "Other operating income/expenses";
- "Net provisioning for risks and charges regarding commitments and guarantees given" have been reclassified under "Net value adjustments of loans".
- "Net value adjustments for credit risk" of "securities classified as financial assets measured at amortized cost" and "financial assets measured at fair value through other comprehensive income" have been restated under the "Impairment of securities" item.
- The "Price adjustment subsequent to the disposal of equity investments" has been reclassified under "Other operating income/expenses", rather than being allocated to "Profit (Losses) on other investments".

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

Reclassified income statement

	31.12.2019	31.12.2018	Changes	
			Absolute	%
Net interest income	807,445	704,551	102,894	14.6
Net fee and commission income	776,783	682,041	94,742	13.9
Dividends	55,404	68,241	-12,837	-18.8
Profit (loss) on trading activities	7,587	21,596	-14,009	-64.9
Other operating income (expenses)	2,991	3,182	-191	-6.0
Net operating income	**1,650,210**	**1,479,611**	**170,599**	**11.5**
Personnel expenses	-567,940	-533,457	34,483	6.5
Administrative expenses	-379,969	-384,288	-4,319	-1.1
Amortization of intangible assets and depreciation of property, plant and equipment	-81,230	-45,655	35,575	77.9
Operating expenses	**-1,029,139**	**-963,400**	**65,739**	**6.8**
Operating margin	**621,071**	**516,211**	**104,860**	**20.3**
Net provisioning for risks and charges	-8,170	22,131	30,301	
Net impairments of loans	-201,898	-201,209	689	0.3
Impairment of securities	-1,886	-1,532	354	23.1
Profit (loss) on other investments	221	-1,317	1,538	
Profit (loss) on continuing operations before taxes	**409,338**	**334,284**	**75,054**	**22.5**
Taxes on income from continuing operations	-106,767	-82,160	24,607	30.0
Net profit (loss) for the year	**302,571**	**252,124**	**50,447**	**20.0**

Reconciliation between the Official and the Reclassified Income Statements

	31.12.2019	31.12.2018
Net interest income	**807,445**	**704,551**
30. Net interest income	808,558	708,113
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	-1,113	-3,562
Net fee and commission income	**776,783**	**682,041**
60. Net fee and commission income	771,240	676,132
190. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	5,543	5,909
Dividends and similar income = item 70	**55,404**	**68,241**
Net income from banking activities	**7,587**	**21,596**
80. Net profit (loss) on trading activities	12,636	7,488
90. Net profit (loss) on hedging activities	-8,788	-7,073
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	1,113	3,562
100. Profit (loss) on disposal or repurchase of: a) of which securities classified as financial assets measured at amortized cost	26	464
100. Profit (loss) on disposal or repurchase of: b) financial assets measured at fair value through other comprehensive income	2,876	13,947
100. Profit (loss) on disposal or repurchase of: c) financial liabilities	-142	258
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	-134	2,950
Other operating income (expenses)	**2,991**	**3,182**
200. Other operating expenses/income	247,441	237,467
To deduct: expenses recovered	-247,498	-233,201
To deduct: recovered expenses for the management of non-performing loans	-4,245	-4,004
To deduct: Commission income from Fast Loan Application Processing	-5,543	-5,909
220. Gains (Losses) on equity investments of which Price Adjustment for disposal of equity investments	12,836	8,829
Net operating income	1,650,210	1,479,611
Personnel expenses = item 160 a)	**-567,940**	**-533,457**
Administrative expenses	**-379,969**	**-384,288**
160. Administrative expenses: b) other administrative expenses	-640,246	-635,980
To deduct: expenses for the management of non-performing loans	12,779	18,491
200. Other operating expenses/income: of which expenses recovered	247,498	233,201
Depreciation of property, plant and equipment and amortization of intangible assets	-81,230	-45,655
180. Net adjustments of/recoveries on property, plant and equipment	-56,295	-22,648
190. Net adjustments of/recoveries on intangible assets	-24,935	-23,007
Operating expenses	-1,029,139	-963,400
Operating margin	621,071	516,211
Impairment on goodwill = item 240	**-**	**-**
Net provisioning for risks and charges = Item 170 b) other net provisioning	**-8,170**	**22,131**
Net impairments of loans	**-201,898**	**-201,209**
100. Profit (loss) on disposal or repurchase of: a) financial assets measured at amortized cost	-11,551	-6,423
To deduct profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	-26	-464
130. Net adjustments for credit risk of: a) financial assets measured at amortized cost	-182,663	-186,104
To deduct: net adjustments for credit risk of: a) securities classified as financial assets measured at amortized cost	895	953
140. Profits/Losses on contract modifications without derecognition	-3,226	-970
160. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	-12,779	-18,491
200. Other operating expenses/income: of which recovered expenses for the management of non-performing loans	4,245	4,004
170. Net provisioning for risks and charges: a) commitments and guarantees given	3,207	6,286
Impairment of securities	**-1,886**	**-1,532**
130. Net adjustments for credit risk of: a) of which securities classified as financial assets measured at amortized cost	-895	-953
130. Net adjustments for credit risk of:: b) financial assets measured at fair value through other comprehensive income	-991	-579
Profit (loss) on other investments	**221**	**-1,317**
220. Profit (losses) on equity investments	12,796	7,410
To deduct: Price Adjustment for disposal of equity investments	-12,836	-8,829
230. Profit (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
250. Profit (losses) on disposals of investments	261	102
Profit (loss) on continuing operations before taxes	409,338	334,284
Taxes on income from continuing operations = item 270	**-106,767**	**-82,160**
Net profit (loss) for the year	**302,571**	**252,124**

Net operating income

Operating income for 2019 came to Euro 1.7 billion, vs. Euro 1,5 billion reported in 2018.

Net interest income

	31.12.2019	31.12.2018	Changes	
			Absolute	%
Loans to customers measured at amortised cost	663,892	596,491	67,401	11.3
Loans from bank measured at amortised cost	-3,673	-26,718	-23,045	-86.3
Debt securities issued	-86,421	-94,238	-7,817	-8.3
Spreads on hedging derivatives	154,515	135,729	18,786	13.8
Financial assets held for trading	81	598	-517	-86.5
Securities measured at amortized cost	52,982	47,700	5,282	11.1
Securities through other comprehensive income	29,472	45,043	-15,571	-34.6
Other net interest income	-3,403	-54	3,349	
Net interest income	**807,445**	**704,551**	**102,894**	**14.6**

Net interest income came to Euro 807 million; the Euro 103 million increase includes the contribution given by Crédit Agricole Carispezia, which, as at 31 December 2018, reported net interest income for Euro 76 million; net of such contribution, the increase would be of Euro 26 million, i.e. up by +3.4%. This good performance was achieved thanks to thorough management and optimization of funding and liquidity, as well as to effective hedging of interest rate risk, whereby the negative effect generated by the decrease in interest income on securities and on non-performing loans subsequent to the disposal of a considerable portfolio in 2018 could be mitigated. Furthermore, subsequent to the first-time adoption of IFRS 16, the “Other net interest income” aggregate reports also Euro 3.4 million worth of imputed interest expenses on amounts due for rentals and leases.

Dividend income

Dividend income came to Euro 55 million, down by approximately Euro 13 million because of non-distribution of the 2018 dividend from Crédit Agricole Carispezia, which was absorbed in 2019.

Net fee and commission income

	31.12.2019	31.12.2018	Changes	
			Absolute	%
- guarantees issued	3,457	4,495	-1,038	-23.1
- collection and payment services	48,533	42,485	6,048	14.2
- current accounts	189,805	164,840	24,965	15.1
- debit and credit card services	27,444	29,504	-2,060	-7.0
Commercial banking business	**269,239**	**241,324**	**27,915**	**11.6**
- securities intermediation and placement	172,961	147,414	25,547	17.3
- intermediation in foreign currencies	3,828	3,459	369	10.7
- asset management	6,962	8,096	-1,134	-14.0
- distribution of insurance products	236,284	195,603	40,681	20.8
- other intermediation/management fee and commission income	37,731	33,541	4,190	12.5
Management, intermediation and advisory services	**457,766**	**388,113**	**69,653**	**17.9**
Other net fee and commission income	**49,778**	**52,604**	**-2,826**	**-5.4**
Total net fee and commission income	**776,783**	**682,041**	**94,742**	**13.9**

Net fee and commission income came to Euro 777 million; the increase vs. 2018 includes also the contribution given by Crédit Agricole Carispezia, which, as at 31 December 2018, reported net fee and commission income for Euro 77 million (net of such contribution, the increase would be of Euro 18 million, i.e. up by +2.4%).

Specifically, income from commercial banking business came to Euro 269 million, mainly from current accounts for Euro 190 million, while management, intermediation and advisory services posted revenues amounting to Euro 458 million; the highest increases were achieved in the distribution of insurance products (Euro 236 million) and in securities intermediation and placement (Euro 173 million) subsequent to the strong increase in wealth management and the good performance in the placement of consumer loans.

Income from banking activities

	31.12.2019	31.12.2018	Changes	
			Absolute	%
Interest rates	6,289	5,473	816	14.9
Stocks	72	-2,704	2,776	
Foreign exchange	6,102	4,950	1,152	23.3
Commodities	31	27	4	14.8
Total profit (losses) on financial assets held for trading	**12,494**	**7,746**	**4,748**	**61.3**
Total profit (losses) on assets held for hedging	**-7,675**	**-3,511**	**4,164**	
Net profit (loss) on financial assets and liabilities at fair value	**-134**	**2,950**	**-3,084**	
Total profit (losses) on financial assets measured at amortized cost	**26**	**464**	**-438**	**-94.4**
Total profit (losses) on financial assets measured at fair value through other comprehensive income	**2,876**	**13,947**	**-11,071**	**-79.4**
Profit (loss) on banking activities	**7,587**	**21,596**	**-14,009**	**-64.9**

Income from banking activities came to Euro 7.6 million, down by Euro 14 million vs. the 2018 figure that included capital gains on government securities amounting to Euro 14 million (vs. Euro 3 million in 2019).

Other operating income (expenses)

The balance of other operating income/expenses came to Euro 3 million, increasing vs. 2018 in the before-merger perimeter (up by approximately Euro 1 million) and was affected by the “adjustment price” component regarding an equity investment sold in a previous year.

Operating expenses

	31.12.2019	31.12.2018	Changes	
			Absolute	%
- wages and salaries	-411,803	-372,615	39,188	10.5
- social security contributions	-108,584	-98,411	10,173	10.3
- other personnel expenses	-47,553	-62,431	-14,878	-23.8
Personnel expenses	**-567,940**	**-533,457**	**34,483**	**6.5**
- general operating expenses	-31,287	-41,035	-9,748	-23.8
- IT services	-155,499	-140,190	15,309	10.9
- direct and indirect taxes	-99,840	-92,856	6,984	7.5
- real estate property management	-10,430	-40,664	-30,234	-74.4
- legal and other professional services	-19,925	-21,616	-1,691	-7.8
- advertising and promotion expenses	-12,541	-11,614	927	8.0
- indirect personnel expenses	-10,043	-9,112	931	10.2
- contributions to support the banking system	-34,051	-31,052	2,999	9.7
- other expenses	-253,851	-229,350	24,501	10.7
- expenses and charges recovered	247,498	233,201	14,297	6.1
Administrative expenses	**-379,969**	**-384,288**	**-4,319**	**-1.1**
- intangible assets	-24,935	-23,007	1,928	8.4
- property, plant and equipment	-56,295	-22,648	33,647	
Depreciation and amortization	**-81,230**	**-45,655**	**35,575**	**77.9**
Operating expenses	**-1,029,139**	**-963,400**	**65,739**	**6.8**

Operating expenses came to Euro 1,029 million, increasing by approximately Euro 66 million: this increase was affected by the absorption of Crédit Agricole Carispezia, which, at the end of 2018, reported costs amounting to approximately Euro 94 million, including service costs for services provided by the Parent Company.

As regards personnel expenses, it is pointed out that, within the “Ambizione Italia 2020” Strategic Plan, in 2018 a new agreement was signed for voluntary redundancy (Solidarity Fund), whereby the Bank’s employees were given the option to terminate their employment early and voluntarily with incentives, which explains the decrease in the “Other personnel expenses” item.

As regards other operating costs, the first-time adoption of IFRS 16, which applies to reporting periods starting on or after 1 January 2019, prevents any reliable comparison between the administrative expenses and depreciation/amortization components separately, given that lease fees, which, until 31 December 2018, were recognized under the “property management expenses” item, were recognized under property, plant and equipment in 2019, because of the amortization of the right of use asset recognized in the balance sheet.

Net provisioning for risks and charges

The “Net provisioning for risks and charges” item reports a negative balance of Euro 8.2 million, vs. a positive mismatch of Euro 23 million as at 31 December 2018: the 2028 figure included Euro 27 million from the release of provisions allocated in previous years for the estimated penalties to be paid for early withdrawal from supply contracts signed by the Fellini Banks.

Net impairments of loans

	31.12.2019	31.12.2018	Changes	
			Absolute	%
- bad loans	-79,278	-83,162	-3,884	-4.7
- Unlikely to Pay	-114,140	-123,565	-9,425	-7.6
- Past-due loans	-1,352	-1,595	-243	-15.2
Non-performing loans	**-194,770**	**-208,322**	**-13,552**	**-6.5**
- Performing loans – stage 2	12,919	14,221	-1,302	-9.2
- Performing loans – stage 1	-11,494	2,064	13,558	
Performing loans	**1,425**	**16,285**	**-14,860**	**-91.2**
Net losses on impairment of loans	**-193,345**	**-192,037**	**1,308**	**0.7**
Gains/Losses on contract modifications without derecognition	-3,226	-970	2,256	
Expenses/recovered expenses for loan management	-8,534	-14,488	-5,954	-41.1
Net losses on impairments of guarantees and commitments	3,207	6,286	-3,079	-49.0
Net impairments of loans	**-201,898**	**-201,209**	**689**	**0.3**

Net value adjustments of loans totalled Euro 202 million, decreasing by Euro 10 million (down by -4.8%) vs. the previous year (considering the before-merger perimeter); this improvement reflects the lower number of positions entering the non-performing status and lower costs for the management of non-performing loans, also subsequent to the disposal made in the year.

Profit (loss) before tax on continuing operations

Subsequent to the changes reported above, profit before tax on continuing operations came to Euro 409 million vs. Euro 334 million posted in 2018 by the Parent Company alone, before the merger.

Taxes on income from continuing operations

Current taxes and deferred tax liabilities came to Euro 107 million, increasing by approximately Euro 24.6 million vs. the previous year. However, considering the values regarding the Companies that were absorbed in 2019, the actual increase is of Euro 8 million only. Net of the specific corporate income tax (IRES) on dividends from equity investments, the tax burden came close to 28.9%, slightly decreasing from 29.6% in the previous year, determined based on the same aggregate.

Net profit (loss)

The profit for the year came to Euro 303 million vs. Euro 252 million achieved in the different perimeter considering the absorption of Crédit Agricole Carispezia.

Comprehensive income

		31.12.2019	31.12.2018
10.	**Profit (Loss) for the year**	**302,571**	**252,124**
	Other comprehensive income after tax not recycled to profit or loss		
20.	Equity securities designated at fair value through other comprehensive income	-4,127	-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.	Actuarial profit (losses) on defined benefit plans	-4,811	-16,014
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of valuation reserve on equity investments measured with the equity method:	-	-
	Other comprehensive income recycled to profit or loss		
100.	Hedging of investments in foreign operations:	-	-
110.	Exchange rate 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	70,575	-86,659
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 tax**	**61,637**	**-103,123**
140.	**Comprehensive income (Item 10+170)**	**364,208**	**149,001**

Comprehensive income came to Euro 364 million, consisting of earnings for the period (Euro 303 million) and of the changes in assets directly recognized in equity reserves, which report a a total increase of Euro 62 million, mostly regarding the increase in valuation reserves on “Financial assets measured at fair value through other comprehensive income”.

OTHER INFORMATION

SHARE CAPITAL INCREASE

On 16 November 2018, the Boards of Directors of Crédit Agricole Italia – the Parent Company of the Crédit Agricole Italia Banking Group – and of its subsidiary Crédit Agricole Carispezia approved the plan for the merger by absorption of Crédit Agricole Carispezia into Crédit Agricole Italia pursuant to Articles 2501-ter and 2505 of the Italian Civil Code. On 12 February 2019, the ECB authorized this combination.

On 26 February 2019, the Extraordinary General Meeting of the Shareholders of Crédit Agricole Italia resolved a share capital increase, for a consideration and ruling out option rights, pursuant to Article 2343-ter, paragraph 2, letter b), Article 2440 and Article 2441, paragraph 4 of the Italian Civil Code, of a nominal amount of Euro 16,539,731 through the issue of 16,539,731 ordinary shares having a nominal value of Euro 1.00 each, exclusively intended for the subscription of Fondazione Cassa di Risparmio della Spezia, to be paid in through a contribution in kind of the 33,079,463 shares held by Fondazione Cassa di Risparmio della Spezia into Crédit Agricole Carispezia, representing 18.5% of the latter's share capital

On 21 July 2019, Crédit Agricole Carispezia, a consolidated subsidiary since 2011, was merged by absorption into Crédit Agricole Italia, its controlling company holding 100% of the subsidiary's share capital. The accounting and tax effects of the merger were backdated to 1 January 2019.

Subsequent to the exercise of warrants on shares of the former Cassa di Risparmio di Cesena, which it had issued within its share capital increase on 23 September 2016, another 21,411 shares in Crédit Agricole Italia were issued having a nominal value of Euro 1.

As at 31 December 2019, the share capital amounted to Euro 979,233,295.00.

MERGER OF REAL ESTATE COMPANIES

In December 2019, Crédit Agricole Carispezia and the Real Estate companies Unibanca Immobiliare, Carice Immobiliare (formerly subsidiaries of Cassa di Risparmio di Cesena) and San Genesio Immobiliare (formerly a subsidiary of Cassa di Risparmio di San Miniato) were merged by absorption into Crédit Agricole Italia. The absorption of the 3 companies, all 100% held by Crédit Agricole Italia S.p.A, became legally effective on 24 December 2019 with backdating of its accounting and tax effects to 1 January 2019.

The above-reported mergers essentially aimed at streamlining the Group's structure, at rationalizing its operational processes and at the subsequent reduction of its operating costs.

Furthermore, as they are mergers by absorption of fully-owned subsidiaries, the aforementioned combinations are "Business Combinations between entities under common control" and, therefore, they do not fall in the scope of application of IFRS 3 and are recognized based on the pooling-of-interests method/predecessor value method (continuity of values). In mergers by absorption of 100%-owned subsidiaries, applying the continuity-of-values principle (pooling-of-interests/predecessor value method), there is no actual transaction with unrelated parties and no economic acquisition; therefore, relevance is attached to the fact that one of the entities involved in merger controlled the others beforehand, as well as to the cost incurred by the surviving entity for the original acquisition of the absorbed entity or entities. A merger that is actually a reorganization does not determine any higher fair values of assets and liabilities of the absorbed entity than their fair value already recognized in the consolidated financial statements.

ISSUE OF SENIOR NON-PREFERRED DEBT INSTRUMENTS

In December 2019, Crédit Agricole Italia issued senior non-preferred debt instruments for Euro 440 million, which were subscribed by Crédit Agricole S.A.

They are bonds with ordinary features, which, in the hierarchy of liabilities, rank junior to other unsecured debt instruments, but senior to subordinated bonds.

DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

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

DISCLOSURE ON ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In the year, no atypical or unusual transactions were carried out whose size or features might have jeopardized or affected the protection of corporate assets and the interests of shareholders.

RESEARCH AND DEVELOPMENT

No research and development activities were performed in the year.

RISKS AND UNCERTAINTIES

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

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

Indeed, the governance bodies of Crédit Agricole Italia are fully aware that sustainable development and growth absolutely require also an effective analysis of the risks which Crédit Agricole Italia is exposed to and of the relating uncertainties, in terms of impacts that these risks could have on Crédit Agricole Italia's financial position, cash flows and performance. Effective management and mitigation of the same risks to acceptably low levels are another crucial requirement for sustainable growth, also in order to protect savings (and, with them, Customers' confidence) and loans (healthy ones that are drivers of growth).

The Management believes that the present overall performance of the domestic and international economies (financial and real) is such as to require, in addition to monetary and real policy measures to be adopted by supranational bodies and governments, also appropriate policies for constant enhancement of the monitoring of risks and uncertainties of financial players, such as the ones implemented by Crédit Agricole Italia.

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

As reported in Part A – Accounting Policies, Section 2, the Covid-19 pandemics is an uncertainty factor in the future macroeconomic scenario in which the Bank will operate.

APPROACH TO SUSTAINABILITY AND OTHER NON-FINANCIAL ASPECTS

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

Legislative Decree no. 254/2016 mentioned above, and prepared its consolidated Non-Financial Statement (NFS) as at 31 December 2019 for the Group in compliance with D.Lgs. n. 254/2016.

Crédit Agricole Italia decided to opt for the exemption provided for by Article 6 of D.Lgs. 254/2016 and not to prepare its separate Non-Financial Statement, in its capacity as a public Interest Entity (PIE) falling in the scope of D.Lgs, 254/2016 whose non-financial data and information are included in the consolidated Non-Financial Statement prepared by the Crédit Agricole Italia Banking Group. The Non-Financial Statement of the Crédit Agricole Italia Banking Group reports the Crédit Agricole Italia's activities as at 31 December 2019 and is a stand-alone document separated from the Management Report, but an integral part of the 2019 Annual Report and Financial Statements. The NFS reports information relating to environmental matters, social and employee-related matters, respect for human rights, anti-corruption and anti-bribery matters, as relevant in accordance with the features of the Banks of the Crédit Agricole Italia Banking Group, for full disclosure and reporting on them and on the resulting impacts.

VALERY PROJECT

In 2019, the last tranche of bad loans amounting to Euro 79.2 million (net amount of Euro 7 million) was sold, completing the Valery project, which started in 2018 in order to reduce the NPL stock through market transactions.

Report on corporate governance and ownership structure – Information pursuant to Article 123-bis paragraph 2, letter b) of Italian Legislative Decree No. 58/1998 (Italian Consolidated Law on Finance -TUF)

For the Report on corporate governance and ownership structure, please refer to the Annual Report and Consolidated Financial Statements of the Crédit Agricole Italia Banking Group.

Proposal to the General Meeting of Shareholders

Dear Shareholders,

The Annual Report and Financial Statements for the financial year from 1 January to 31 December 2019, submitted for your examination, consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows, the Note to the Financial Statements, as well as of the Annexes, and the Management Report.

The proposal for the allocation of the net profit amounting to Euro 302,570,911 is as follows:

5% to the legal reserve	15,128,546
To the fund for charity and support to social and cultural initiatives	1,500,000
To to retained earnings reserve	233,686,175
To extraordinary reserve	52,256,190

It is only right to mention the scenario of severe health crisis caused by the worldwide outbreak and spread of the present Coronavirus pandemic, the so-called Covid-19.

Our Country, together with Europe, is engaged in an unprecedented collective effort to limit the spread of the pandemic, which has generated a health crisis, whose impacts on the real economy and on the production system are still difficult to quantify.

In this scenario, in order to put the banking system in the best possible conditions to withstand the economic effects generated by the pandemic, on 27 March 2020 the European Central Bank (ECB) adopted a Recommendation addressed to the supervised banks, asking that dividend distribution policies and the capital situations of the individual institutions be carefully considered and assessed, as banks are responsible for supporting households and businesses in their financial needs caused by the health emergency.

This recommendation has been complied with by the leading Banking Groups, including the French Parent Company Crdit Agricole S.A.

For these reasons, at its meeting held on 6 April 2020, the Board of Directors resolved to withdraw the proposal of dividend distribution for total amount of Euro 164,609,347 (Euro 0.1681 for each one of the 979,234,664 ordinary shares held by the Shareholders), which was resolved at the Board meeting of 20 March 2020, and to propose the General Meeting of Shareholders that the distributable profit be allocated to a 2019 retained earnings reserve.

Parma, Italy, 06 April 2020

The Chairman of the Board of Directors
Ariberto Fassati

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

CRÉDIT AGRICOLE

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

- the adequacy in relation to the company's characteristics and
- the actual application of the administrative and accounting procedures for the formation of the financial statement during the course of the 2019 financial year.

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

3. The undersigned certify also that:

3.1 The report and financial statements as at 31 december 2019:

a) have been drawn up in compliance with the applicable International accounting principles endorsed within the European Union pursuant to EC Regulation no. 1606/2002 of the European Parliament and of the European Council dated 19 July 2002;
b) correspond to the results recorded in the accounting books and registers;
c) furnishes a true and correct representation of the capital, economic and financial situation of the issuer.

3.2 The management report includes a reliable analysis on the management trend and performance, as well as of the issuer's situation and a description of the major risks and uncertainties to which it is exposed.

Parma, 6 April 2020

Giampiero Maioli

Chief Executive Officer

Pierre Débourdeaux

Senior Manager in charge of the preparation

of the Company accounting statements

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

Capitale Sociale euro 979.234.664,00 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

Crédit Agricole Italia S.p.A.

Financial statements as at December 31, 2019

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010, and article 10 of EU Regulation n. 537/2014

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Crédit Agricole Italia S.p.A. (the "Bank" or the "Company"), which comprise the balance sheet as at December 31, 2019, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and the notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued for implementing article 9 of Legislative Decree n. 38, dated February 28, 2005 and article 43 of Legislative Decree n. 136, dated August 18, 2015.

Basis for Opinion

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

Key Audit Matters

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

EY S.p.A.
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We identified the following key audit matters:

Key Audit Matters	Audit Responses
Classification and evaluation of loans to customers	
Loans to customers measured at amortised cost included in line item 40 b) of the balance sheet amount to about Euro 43.5 billion as at December 31, 2019 and represent approximately 73%of total assets. The classification and valuation of loans to customers is relevant for the audit because the amount of loans is significant for the financial statements as a whole and because the the related impairment losses are determined by the directors through the use of estimates that have a high degree of complexity and subjectivity. Among these, the following are particularly relevant: • identification and calibration of parameters for determining a significant increase in credit risk (SICR), compared to when the financial instrument was initially recognized, for the purpose of allocating performing exposures between the Stage 1 and the Stage 2; • set-up of models, incorporating forward-looking information, for the calculation of expected credit losses (ECL – Expected Credit Losses) at 1 year for exposures in Stage 1 and lifetime for exposures in Stage 2; • identification of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) input parameters of the ECL calculation models; • identification of evidence of impairment, with the consequent classification of exposures in Stage 3 (non-performing loans); • for exposures classified in Stage 3, the determination of criteria for the expected cash flows' estimate including, in addition to the ordinary recovery strategy based on the collection through legal actions, realization of real estate guarantees, mandates to collection companies, also the selling scenario of the loan. The disclosures regarding the changes in the quality of the loans to customers portfolio and on the classification and measurement criteria adopted is provided in Part A - Accounting policies, Part B - Information on the balance sheet, Part C - Information on the income statement and Part E – Information on risks and related hedging policies of the notes to the financial statements.	In relation to this aspect, our audit procedures included, among others: • understanding of the policies, processes and controls in relation to the classification and measurement of loans to customers and performing of test on the key controls, including those relating to IT applications, with the support of our specialists in IT systems, in order to verify their operational effectiveness; • performing substantive procedures aimed at verifying on a sample basis the correct classification and measurement of credit exposures; • understanding, also with the support of our specialists in valuations of financial instruments and information systems, of the methodology applied in relation to impairment losses calculated with a statistical methodology and the reasonableness of the assumptions adopted, as well as the performing of test of controls and substantive procedures aimed at the verification of the accurate determination of the PD, LGD and EAD parameters, relevant for the purpose of determining the impairment losses; • performing comparative analysis of the portfolio of loans to customers and the related coverage levels, with reference to the most significant changes as compared to the previous year figures; • verification, through the analysis of the supporting documentation, of the accounting for the disposals occurred in the year, as envisaged by the NPL strategy aimed at the reduction of the stock of non-performing loans; Furthermore, we examined the adequacy of the disclosure provided in the notes to the financial statements.

Impairment test of Goodwill

Goodwill included in line item 90 of the balance sheet for the year ended December 31, 2019 amounts to Euro 1,043 million and is entirely allocated to the Retail / Private cash-generating unit (CGU).

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

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

In this context, for the purpose of estimating future cash flows, management used the budget figures for the year 2020 and the medium-long term financial forecast for the period 2021-2024.

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

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

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

- an understanding of the method for determining the recoverable amount adopted by the Bank, as part of the impairment testing process approved by the proper governance bodies;
- the execution of testing on key controls in order to verify their operational effectiveness;
- a comparison of the actual results achieved in the 2019 with the corresponding budget figures, in order to understand the reasons underlying the main differences.

We engaged our valuation specialists to assist us in performing the procedures with reference to the adequacy of the methodology and assumptions used by the Directors to determine the "value in use" as well as in verifying the mathematical accuracy of the calculation and the sensitivity analysis on the key assumptions.

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

Recoverability of the "non-convertible" deferred tax assets

The item 100 "Tax assets" of the balance sheet includes deferred tax assets amounting to Euro 1,060 million, of which Euro 450 million are "non-convertible" into tax credits (since they are not included in the scope of Law 214/2011), deriving from tax losses that can be carried forward indefinitely and from other deductible temporary differences.

In order to ascertain the existence of the conditions for the recognition of "non-convertible" deferred tax assets, management assessed their recoverability (as required by the international accounting standard IAS 12 "Income Taxes") by considering the expected taxable income of the Bank, as well as by taking into account the tax consolidation regime of the Crédit Agricole S.A. Group in Italy.

In response to this aspect, our audit procedures included, amongst others:

- understanding of the Management's process and controls in relation to the assessment of the recoverability of the "non-convertible" deferred tax assets and the testing of key controls, in order to verify their operational effectiveness;
- analysis, also with the support of our specialists in business valuations, of the management estimates related to the Bank forecasted income statement and balance sheet figures and of the additional assumptions used for the purpose of estimating the future taxable income;
- analysis, also with the support of our tax experts, of the reasonableness of the assumptions adopted for the development of the probability test based on the applicable tax

The assessment of the recoverability of "non-convertible" deferred tax assets is a key audit matter for the audit because their value is significant to the financial statements as a whole, and because the valuation is based on a model that provides for the use of assumptions and estimates that have a high degree of complexity and subjectivity, with specific reference to:

- the estimation of taxable income expected during the time period considered for the recovery;
- the interpretation of the applicable tax legislation.

The disclosures regarding the deferred tax assets, including "non-convertible" tax assets, is provided in Part A - Accounting policies, Part B - Information on the balance sheet and Part C - Information on the income statement of the notes to the financial statements.

legislation to the different types of temporary deductible differences;

- verification of the accuracy of the calculation made to develop the probability test.

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

Accounting of the merger by absorption carried out during the year

During the year ended December 31, 2019 the Bank finalized the merger by absorption of Crédit Agricole Carispezia S.p.A (hereinafter also "Carispezia"), with effective date for accounting and tax purposes as of January, 1 2019.
This transaction, as it involves entities under common control, does not represent a business combination as per IFRS3 and therefore it falls outside the mandatory scope of this accounting principle.

In the absence of specific accounting principles the Bank, in accordance with IAS 8, and in order to reflect its economic substance, recognized this transaction in accordance with the continuity of values with the consolidated financial statements principle, which led to the recognition in the separate financial statements of the balance sheet and income statement amounts of Carispezia as of the effective date for accounting purposes of the merger.

The disclosure regarding the merger by absorption is provided in Part A - Accounting policies and Part G – Business combinations of the notes to the financial statements.

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

- reading of the shareholder's meeting resolutions of the Bank and of Carispezia and of the related merger deed;
- discussion with Bank's management and analysis of the principle selected to account for the business combinations under common control;
- verification on a sample basis of the accuracy of the accounting entries for the merger by absorption;

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

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

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

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of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

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

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

Report on compliance with other legal and regulatory requirements

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

The Directors of Crédit Agricole Italia S.p.A. are responsible for the preparation of the Management Report and the Report on Corporate Governance and Ownership Structure of Crédit Agricole Italia S.p.A. as at December 31, 2019, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Management Report and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998, with the financial statements of Crédit Agricole Italia S.p.A. as at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Management Report and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Crédit Agricole Italia S.p.A. as at December 31, 2019 and comply with the applicable laws and regulations.

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

Milan, April 6, 2020

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

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

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FINANCIAL STATEMENTS

BALANCE SHEET

Assets		31.12.2019	31.12.2018
10.	Cash and cash equivalents	326,278,580	224,047,364
20.	Financial assets measured at fair value through profit or loss	91,654,058	91,608,363
	a) financial assets held for trading;	82,054,608	86,038,934
	b) financial assets designated at fair value;	-	-
	c) other financial assets mandatorily measured at fair value	9,599,450	5,569,429
30.	Financial assets measured at fair value through other comprehensive income	2,720,418,724	2,672,299,598
40.	Financial assets measured at amortized cost	50,981,630,730	47,593,188,577
	a) loans from banks	7,522,014,029	7,587,016,412
	b) loans to customers	43,459,616,701	40,006,172,165
50.	Hedging derivatives	668,305,904	435,674,665
60.	Fair value change of financial assets in macro-hedge portfolios (+/-)	97,608,780	27,731,183
70.	Equity investments	1,074,437,875	1,371,395,122
80.	Property, Plant and Equipment	818,422,349	592,566,085
90.	Intangible assets	1,187,930,605	1,078,250,171
	- of which goodwill	1,042,597,768	922,339,723
100.	Tax assets	1,318,990,234	1,384,327,005
	a) current	258,991,565	246,951,367
	b) deferred	1,059,998,669	1,137,375,638
110.	Non-current assets held for sale and discontinued operations	-	-
120.	Other assets	327,129,108	355,742,465
Total assets		**59,612,806,947**	**55,826,830,598**

Liabilities and Equity		31.12.2019	31.12.2018
10.	Financial liabilities measured at amortized cost	50,807,795,393	47,280,388,951
	a) Loans to banks	7,238,314,243	7,988,793,638
	b) Loans to Customers	34,552,965,281	31,121,033,253
	c) Debt securities issued	9,016,515,869	8,170,562,060
20.	Financial liabilities held for trading	65,641,619	61,377,962
30.	Financial liabilities designated at fair value	-	-
40.	Hedging derivatives	415,394,579	426,993,410
50.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	341,807,309	259,634,105
60.	Tax liabilities	222,271,673	184,908,944
	a) current	152,923,870	109,970,868
	b) deferred	69,347,803	74,938,076
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80.	Other liabilities	961,694,267	1,007,452,794
90.	Employee severance benefits	96,810,797	94,809,024
100.	Provisions for risks and charges	312,246,262	351,156,526
	a) financial guarantees and other commitments	27,209,936	30,006,941
	b) post-employment and similar obligations	37,325,416	35,621,262
	c) other provisions for risks and charges	247,710,910	285,528,323
110.	Valuation reserves	-44,789,696	-106,426,600
120.	Redeemable shares	-	-
130.	Equity instruments	715,000,000	715,000,000
140.	Reserves	1,318,749,655	1,218,489,888
150.	Share premium reserve	3,118,380,883	3,118,249,355
160.	Capital	979,233,295	962,672,153
170.	Treasury shares (+/-)	-	-
180.	Net Profit (Loss) for the year	302,570,911	252,124,086
Total liabilities and equity		**59,612,806,947**	**55,826,830,598**

INCOME STATEMENT

Items		31.12.2019	31.12.2018
10.	Interest and similar income	766,602,682	699,898,986
	Of which: interest income calculated with the effective interest method	763,314,320	695,217,544
20.	Interest and similar expense	41,954,740	8,214,024
30.	**Net interest income**	**808,557,422**	**708,113,010**
40.	Fee and commission income	809,911,917	710,367,521
50.	Fee and commission expense	(38,672,402)	(34,235,616)
60.	**Net fee and commission income**	**771,239,515**	**676,131,905**
70.	Dividends and similar income	55,404,217	68,240,640
80.	Net profit (loss) on trading activities	12,636,334	7,487,745
90.	Net profit (loss) on hedging activities	(8,788,082)	(7,072,866)
100.	Profit (losses) on disposal or repurchase of:	(8,817,468)	7,781,116
	a) financial assets measured at amortized cost	(11,551,443)	(6,423,394)
	b) financial assets measured at fair value through other comprehensive income	2,876,432	13,946,603
	c) financial liabilities	(142,457)	257,907
110.	Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(133,818)	2,950,428
	a) financial assets and liabilities designated at fair value	-	16
	b) other financial assets mandatorily measured at fair value	(133,818)	2,950,412
120.	**Net interest and other banking income**	**1,630,098,120**	**1,463,631,978**
130.	Net losses/recoveries for credit risk on:	(183,654,168)	(186,682,970)
	a) financial assets measured at amortized cost	(182,663,133)	(186,104,287)
	b) financial assets measured at fair value through other comprehensive income	(991,035)	(578,683)
140.	Profits/Losses on contract modifications without derecognition	(3,226,344)	(970,018)
150.	**Net income from banking activities**	**1,443,217,608**	**1,275,978,990**
160.	Administrative expenses:	(1,208,185,932)	(1,169,437,029)
	a) personnel expenses	(567,939,663)	(533,456,661)
	b) other administrative expenses	(640,246,269)	(635,980,368)
170.	Net provisions for risks and charges	(4,962,462)	28,417,912
	a) commitments and guarantees given	3,207,138	6,286,456
	b) other net provisions	(8,169,600)	22,131,456
180.	Net adjustments of/recoveries on property, plant and equipment	(56,294,918)	(22,647,790)
190.	Net adjustments of/recoveries on intangible assets	(24,935,406)	(23,007,339)
200.	Other operating expenses/income	247,441,940	237,467,517
210.	**Operating costs**	**(1,046,936,778)**	**(949,206,729)**
220.	Profit (losses) on equity investments	12,796,223	7,409,832
230.	Profit (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
240.	Impairment on goodwill	-	-
250.	Profit (losses) on disposals of investments	261,127	102,082
260.	**Profit (Loss) before tax from continuing operations**	**409,338,180**	**334,284,175**
270.	Taxes on income from continuing operations	(106,767,269)	(82,160,089)
280.	**Profit (Loss) after tax from continuing operations**	**302,570,911**	**252,124,086**
290.	Profit (Loss) after tax from discontinued operations	-	-
300.	**Net Profit (Loss) for the year**	**302,570,911**	**252,124,086**

STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2019	31.12.2018
10.	**Net Profit (Loss) for the year**	**302,570,911**	**252,124,086**
	Other comprehensive income after tax not recycled to profit or loss		
20.	Equity securities designated at fair value through other comprehensive income	(4,129,134)	(449,042)
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	(4,810,642)	(16,014,068)
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of valuation reserve on equity investments measured with the equity method:	-	-
	Other comprehensive income recycled 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	70,576,680	(86,659,198)
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 tax**	**61,636,904**	**(103,122,308)**
180.	**Comprehensive income (Item 10+170)**	**364,207,815**	**149,001,778**

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

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019

	Share capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Profit (Loss) for the year	Shareholders' equity
			Retained earnings	Other				
EQUITY AS AT 31 DEC. 2018	**962,672,153**	**3,118,249,355**	**1,215,675,477**	**2,814,411**	**-106,426,600**	**715,000,000**	**252,124,086**	**6,160,108,882**
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR								-
Reserves	-	-	122,250,853	-	-	-	-122,250,853	-
Dividends and other allocations	-	-	-	-	-	-	-129,873,233	-129,873,233
CHANGES FOR THE PERIOD								
Change in reserves	-	-	30,391,734	-	-	-	-	30,391,734
Transactions on equity								
Issues of new shares	16,561,142	131,528	-	-	-	-	-	16,692,670
Purchase of treasury shares	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-52,390,552	-	-	-	-	-52,390,552
Derivatives on treasury shares	-	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	7,732	-	-	-	7,732
Comprehensive income	-	-	-	-	61,636,904	-	302,570,911	364,207,815
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**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018

	Share capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Profit (Loss) for the year	Shareholders' equity
			Retained earnings	Other				
EQUITY AS AT 31 DEC. 2017	**934,837,845**	**2,997,927,458**	**1,004,251,201**	**2,789,346**	**-4,622,875**	**365,000,000**	**211,712,287**	**5,511,895,262**
CHANGE TO OPENING BALANCES	**-**	**-**	**-347,953,095**	**-**	**1,318,583**	**-**	**-**	**-346,634,512**
AMOUNTS AS AT 1 JAN. 2018	**934,837,845**	**2,997,927,458**	**656,298,106**	**2,789,346**	**-3,304,292**	**365,000,000**	**211,712,287**	**5,165,260,750**
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR								-
Reserves	-	-	99,447,035	-	-	-	-99,447,035	-
Dividends and other allocations	-	-	-	-	-	-	-112,265,252	-112,265,252
CHANGES FOR THE PERIOD								
Change in reserves	-	-	483,701,677	-	-	-	-	483,701,677
Transactions on equity								
Issues of new shares	27,834,308	120,321,897	-	-	-	-	-	148,156,205
Purchase of treasury shares	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-23,771,341	-	-	350,000,000	-	326,228,659
Derivatives on treasury shares	-	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	25,065	-	-	-	25,065
Comprehensive income	-	-	-	-	-103,122,308	-	252,124,086	149,001,778
EQUITY AS AT 31 DEC. 2018	**962,672,153**	**3,118,249,355**	**1,215,675,477**	**2,814,411**	**-106,426,600**	**715,000,000**	**252,124,086**	**6,160,108,882**

The impact generated by the IFRS 9 first-time adoption on equity is reported in the "Change to opening balances" row.

STATEMENT OF CASH FLOWS

		31.12.2019	31.12.2018
A.	**OPERATING ACTIVITIES**		
1.	**Operations**	**876,374,709**	**731,921,127**
-	Profit (Loss) for the year (+/-)	302,570,911	252,124,086
-	Gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair through profit or loss(-/+)	-451,981	101,390
-	Gains/losses on hedging activities (-/+)	8,438,730	18,490,453
-	Net losses/recoveries for credit risk (+/-)	156,361,710	155,409,264
-	Net adjustments of/recoveries on property, plant and equipment and intangible assets (+/-)	81,230,324	45,655,129
-	Net provisions for risks and charges and other costs/revenues (+/-)	4,962,462	-28,417,912
-	Taxes and tax credits not settled (+)	106,767,269	82,160,089
-	Net adjustments /recoveries on discontinued operations net of tax effect (-/+)	-	-
-	Other adjustments (+/-)	216,495,284	206,398,628
2.	**Cash flow generated/absorbed by financial assets**	**856,442,626**	**301,141,553**
-	financial assets held for trading	193,876,209	-14,510,573
-	financial assets designated at fair value	-	-
-	financial assets mandatorily measured at fair value	-4,030,021	4,579,290
-	financial assets measured at fair value through other comprehensive	35,848,863	-2,418,949
-	financial assets measured at amortized cost	445,293,470	131,060,388
-	Other assets	185,454,105	182,431,397
3.	**Cash flow generated/absorbed by financial liabilities**	**-1,535,155,004**	**-3,122,372,094**
-	financial liabilities measured at amortized cost	-957,660,869	-3,038,638,707
-	financial liabilities held for trading	4,086,855	-10,736,405
-	financial liabilities designated at fair value	-	-
-	Other liabilities	-581,580,990	-72,996,982
Net cash flow generated/absorbed by operating activities		**197,662,331**	**-2,089,309,414**
B.	**INVESTING ACTIVITIES**		
1.	**Cash flow generated by:**	**69,127,617**	**79,996,476**
-	sales of equity investments	12,521,796	11,731,336
-	Dividends received on equity investments	55,404,217	68,240,640
-	sales of property, plant and equipment	1,201,604	24,500
-	sales of intangible assets	-	-
-	sales of business units	-	-
2.	**Cash flow absorbed by:**	**1,012,383**	**1,715,871,057**
-	purchases of equity investments	-3,244,283	-374,911
-	purchases of property, plant and equipment	-14,854,593	-21,924,906
-	purchases of intangible assets	-	-43,003
-	purchases of business units	19,111,259	1,738,213,877
Net cash flows generated/absorbed by investing activities		**70,140,000**	**1,795,867,533**
C.	**FUNDING ACTIVITIES**		
-	issues/purchases of treasury shares	16,692,670	148,156,205
-	issues/purchases of equity instruments	-52,390,552	326,228,659
-	Distribution of dividends and other	-129,873,233	-112,265,252
Net cash flows generated/absorbed by funding activities		**-165,571,115**	**362,119,612**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR		**102,231,216**	**68,677,731**

RECONCILIATION

Financial Statement items	31.12.2019	31.12.2018
Cash and cash equivalents at beginning of year	224,047,364	155,369,633
Total net increase/decrease in cash and cash equivalents for the year	102,231,216	68,677,731
Cash and cash equivalents: foreign exchange effect	-	-
Closing cash and cash equivalents	**326,278,580**	**224,047,364**

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.

	31.12.2018	Changes from cash flows generated by financing activities	Changes from obtaining or losing control of subsidiaries or other businesses	Fair value changes	Other changes	31.12.2019
Liabilities arising from financing activities (items 10, 20, 30, and 40 of Liabilities)	47,341,766,913	3,267,922,475	-	263,747,624	-	50,873,437,012

NOTE TO THE FINANCIAL STATEMENTS

PART A – ACCOUNTING PRINCIPLES

A.1 GENERAL PART

Section 1 – Statement of compliance with the International Accounting Standards

The Annual Report and Financial Statements of Crédit Agricole Italia have been prepared pursuant to Italian Legislative Decree No. 38 of 28 February 2005, in accordance with the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) – issued by the International Accounting Standards Board (IASB) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission, as provided for by Regulation (EC) No. 1606 of 19 July 2002.

Therefore, the IAS/IFRS in force as at 31 December 2019 (including the interpretations documents called SIC and IFRIC) have been applied, as endorsed by the European Commission and listed in detail in the specific table in an annex to these Financial Statements.

The financial statements and the contents of the Note to the Financial Statements have been prepared in compliance with the provisions set down in Circular No. 262 "Banks' financial statements: layout and preparation" issued by the Bank of Italy on 22 December 2005, within the exercise of its powers as provided for in Article 9 of Italian Legislative Decree No. 38/2005 and in compliance with the subsequent updates issued, the latest one is the 6th update published on 30 November 2018.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND IN FORCE SINCE 2019

In compliance with IAS 8, the table below gives the new International Accounting Standards and International Financial Reporting Standards, or the amendments to standards already in force, and the related endorsement Regulations, which shall be applied to reporting periods starting on or after 1 January 2019.

Standards, amendments or interpretations	Publication date	Date of first application
IFRS 16 Leases Replacement of IAS 17 for recognition of leases	9 November 2018 (EU No. 1986/2017)	1 January 2019
Amendment to IFRS 9 – Financial instruments Prepayment Features with Negative Compensation	26 March 2018 (EU No. 498/2018)	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments Interpretation of IAS 12 on measurement and recognition of tax assets or liabilities in when there is uncertainty in the tax legislation application	24 October 2018 (EU No. 2018/1595)	1 January 2019
Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures The objective of the amendments is to clarify that the impairment requirements of International Financial Reporting Standard (IFRS) 9 Financial Instruments apply to Long Term Interests in Associates and Joint Ventures.	11 February 2019 (EU No. 2019/237)	1 January 2019
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement The objective of the amendments is to clarify that, after a defined-benefit plan amendment, curtailment or settlement occurs, an entity should apply the updated assumptions from the remeasurement of its net defined benefit liability (asset) for the remainder of the reporting period.	14 March 2019 (EU No. 2019/402)	1 January 2019
Annual Improvements to IFRS 2015–2017 Cycle Amendments to IAS 12 Income Taxes, to IAS 23 Borrowing Costs, IFRS 3 Business Combinations and IFRS 11 Joint Arrangements.	15 March 2019 (EU No. 2019/412)	1 January 2019

The new IFRIC Interpretation 23 ‘Uncertainty over Income Tax Treatments” clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The application of the aforementioned Interpretation did not have any impact on these financial statements.

The Annual Improvements to IFRS 2015–2017 Cycle implemented amendments and interpretations of existing standards with no impacts for Crédit Agricole Italia. The Annual Improvements include amendments to IAS 12 Income Taxes, IAS 23 Borrowing Costs, IFRS 3/IFRS 11 Business Combinations, IAS 19 Employee Benefits and a second amendment to IAS 28 Investments in Associates and Joint Ventures applicable to reporting periods starting on or after 1 January 2019.

As regards the new standards and amendments thereto applying to reporting periods starting on or after 1 January 2019, Crédit Agricole Italia has not identified any material impacts on its Financial Statements as at 31 December 2019, except for those reported below concerning the first-time adoption of IFRS 16.

1.2 TRANSITION TO IFRS 16 “LEASES”

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

The new standard requires entities to determine whether a contract is (or contains) a lease, based on the right to control the use of an identified asset for a given period of time; therefore, rental, hire, lease or loan agreements are in the scope of application of the new standard.

1.2.1 Leases in which Crédit Agricole Italia is the lessee

IFRS 16 has implemented material changes in the recognition of leases by the lessee, eliminating the distinction between finance and operating leases and requiring the use of just one accounting model for lessees, going from a “Risk and rewards” approach to a “Right of use” (“RoU”) approach.

Therefore, for all leases in which it is the lessee, Crédit Agricole Italia shall recognize the items listed below in its balance sheet:

- Future lease payments, which shall be recognized under financial liabilities as Lease Liability, which reports the obligation to make future payments and is discounted at the incremental borrowing rate (the liability decreases in accordance with payments made and increases by the amount of accrued interest due);
- The right of use, as expressed in the contracts, which shall be recognized as a lease asset reporting its value in a separate row in the Balance Sheet, under Property, plant and equipment (RoU Asset) to be calculated as the sum of the lease liability, the initial direct costs, any payments made on or before the contract effective date (net of any lease incentives received) and of dismantling and restoration costs.

In the Income Statement, operating lease payments shall no longer be recognized under administrative expenses in accordance with IAS 17, but the following items shall be recognized:

- The expenses for depreciation of right of use asset over the lease term of validity on a straight-line basis (impact on income from operations);
- Interest expenses accrued on the financial liability (impact on financial expenses and on financial income).

The minimum disclosure requirements for the lessee include:

- The subdivision of underlying assets into “classes”;
- Breakdown by maturity of lease liabilities;
- Information potentially useful to better understand the lessee’s business with reference to the lease contracts (e.g. early repayment or extension options).

Furthermore, it is specified that, based on the IFRS 16 requirements and the clarifications given by IFRIC (document “Cloud Computing Arrangements” of September 2018), software shall not fall in the IFRS 16 scope; therefore, all software shall be recognized in accordance with IAS 38 and the related requirements.

1.2.2 Leases in which Crédit Agricole Italia is the lessor

The new standard caused no substantial changes, except for some additional disclosure and reporting requirements, in the recognition of leases by lessors, for which the distinction between operating leases and finance leases has been maintained. Leases are considered finance leases if they transfer all risks and rewards of ownership; otherwise, leases are classified as operating leases.

1.2.3 Transition to IFRS 16

Upon its first-time adoption of the new standard, consistently with the directions given by the Parent Company CASA, the Crédit Agricole Italia Banking Group and, therefore, Crédit Agricole Italia applied the modified retrospective approach (option b) pursuant to paragraph C.5 b) of IFRS 16 for contracts previously classified as operating leases, with no restatement of comparative information.

With this approach, as at 1 January 2019, Crédit Agricole Italia recognized a lease liability, whose balance was determined by discounting the future lease payments remaining at the date of first adoption and a property, plant and equipment asset (right of use) having the same amount as the lease liability adjusted, where the case, by the amount of the advanced lease payment made or to be made and recognized in balance sheet immediately before the first adoption date. In accordance with paragraph C.10b of IFRS16, Crédit Agricole Italia adjusted the right-of-use asset as at the FTA date for the amount of onerous lease provisions recognized in accordance with IAS 37 in the balance sheet/statement of financial position immediately before the FTA date. The IFRS16 adoption generated no impacts on equity.

At fist-time adoption, Crédit Agricole Italia also applied the practical expedient of which in paragraph C.10c, which gives the possibility not to recognize leases whose lease term ends within 12 months of the date of first-time adoption.

The discount rate used to calculate the right-of-use asset and the lease liability is the incremental borrowing rate as at the fist-time adoption of IFRS 16, applied to the remaining lease term as of 1 January 2019. The incremental borrowing rate has been determined as reported in the next section “1.2.4 Perimeter of leases in which Crédit Agricole Italia is the lessee”.

For leases that were previously classified as finance leases, Crédit Agricole Italia restated the book value of the leased asset and of the lease liability as the right-of-use asset and lease liability as at the date of first-time adoption, as per the reporting approach required by IFRS 16.

1.2.4 Perimeter of leases in which Crédit Agricole Italia is the lessee

For leases entered into before the transition date, Crédit Agricole Italia applied IFRS 16 to contracts identified as leases pursuant to IAS 17 and IFRIC 4, as permitted by paragraph C3 of IFRS16.

For Crédit Agricole Italia, the scope of application comprises property leases and car rentals.

Property leases represent the mostly impacted scope, accounting for over 99% of the value of the right-of-use assets recognized as at the date of first-time adoption; those leases concern properties used as branches, officers and guest accommodation.

Car rentals, albeit many, are not material in terms of the total amount of right-of-use assets recognized upon FTA.

In determining the scope of application of the new standard, the Crédit Agricole Italia Banking Group and, therefore, Crédit Agricole Italia exercised the options for the following recognition exemptions pursuant to the standard:

- Short-term lease exemption (i.e leases with term of less than 12 months);
- Low value lease exemption (leases with the underlying asset worth less than Euro 5 thousand).

The fees for these leases were recognized under administrative expenses in the income statement and no right-of-use asset was recognized.

Having regard to the lease term, both on first-time adoption and afterwards, in compliance with the standard, Crédit Agricole Italia decided to take into account the following:

- For operating property leases and contracts that have not yet been renewed, only one renewal of six years is taken into account, in addition to the remaining portion of the lease term underway; for contracts that have already been renewed at least once only the remaining portion of the renewed lease term underway is taken into account. The above shall apply unless any contractual clauses prohibiting it or unless additional renewals or the termination of the lease contract are to be considered because of specific facts or circumstances;
- For leases of guest accommodation property, no contract renewal applies;
- For car leases, only the remaining portion of the four-year term;
- Exemption from recognizing short-term leases, i.e. with the remaining term portion, as at the first-time adoption date, of less than 12 months.

As regards the discount rate, when the interest rate implicit in the lease is not available, Crédit Agricole Italia decided to use an incremental borrowing rate determined as a single curve of interest rates calculated based on a risk-free rate (i.e. market interest rate) and on the liquidity spread ("liquidity grid") representing the cost of funding. It is an unsecured bullet rate curve, which is applied considering the different lease terms in accordance with the standard.

1.2.5 Impacts generated by the IFRS 16 first-time adoption

The first-time adoption of IFRS16 did not generate any impact on equity, because, with the modified retrospective approach (option b), the value of the assets and liabilities recognized is equal, net of the leases previously classified as finance leases in accordance with IAS 17.

The table below reports the balance sheet items impacted by the change in opening balances:

	31.12.2018	IFRS 16 FTA effect	01.01.2019 IFRS 16
Assets			
90. Property, Plant and Equipment	592,566	160,922	753,488
130. Other assets	355,742	-240	355,502
Total impact		**160,682**	
Liabilities and Equity			
10. Financial liabilities measured at amortized cost	47,280,389	164,196	47,444,585
80. Other liabilities (*)	1,007,453	-3,514	1,003,939
Total impact		**160,682**	

(*) In accordance with paragraph C.10b of IFRS16, the Crédit Agricole Italia Banking Group adjusted the right-of-use asset as at the FTA date for the amount of onerous lease provisions recognized in accordance with IAS 37 in the balance sheet/statement of financial position immediately before the FTA date.

The weighted average of the lessee's incremental borrowing rate, applied to the lease liabilities recognized in the balance sheet as at the FTA date, was 2.046%.

1.2.6 Reconciliation between commitments for IAS 17 operating leases as at 31 December 2018 and IFRS 16 lease liabilities as at the first-time adoption date

Reconciliation of lease liabilities	01.01.2019
Commitments for IAS 17 operating leases not discounted as at 31 December 2018	226,422
IFRS 16 recognition exemptions	-40,452
– short-term leases	-5,816
– low-value leases	-34,636
Other changes	-7,255
Operating lease liabilities to be recognized in the Balance Sheet as at 1 Jan. 2019 not discounted	178,715
Discount effect on operating lease liabilities	-14,519
Operating lease liabilities as at 1 Jan. 2019	164,196
Former IAS 17 finance lease liabilities as at 1 Jan. 2019	1,135
Total IFRS 16 lease liabilities as at 1 Jan. 2019	**165,331**

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND APPLICABLE SUBSEQUENT TO 31.12.2019

For its financial statements as at 31 December 2019, Crédit Agricole Italia did not adopt standards and interpretations that, on 31 December 2019, had already been published by IASB and endorsed by the European Union, but that are applicable to reporting periods starting on or after 1 January 2020.

Standards, amendments or interpretations	Publication date	Date of first application
Amendments to IAS 1 and IAS 8: Definition of Material	10 December 2019 (EU No. 2019/2104)	1 January 2020
Amendments to IAS 39, IFRS 7 e IFRS 9- Interest rate benchmark reform	16 January 2020 (EU No. 2020/34)	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards The amendments are intended to update references to the previous Conceptual Framework in several standards and interpretations replacing them with references to the revised Conceptual Framework for Financial Reporting.	6 December 2019 (EU No, 2075/2019)	1 January 2020

INTERNATIONAL ACCOUNTING STANDARDS NOT YET ENDORSED BY THE EUROPEAN UNION

The standards and interpretations that, as at 31 December 2019, had been published by the IASB but had not yet been endorsed by the European Union are not applicable by Crédit Agricole Italia.

Document title	Issued by IASB on	Date of entry into force of the IASB document	Expected date of endorsement by the EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	(Note 1)	(Note 1)
IFRS 17 Insurance Contracts	May 2017	1 January 2021	TBD
Amendments			
Amendments to IFRS 3 Business Combinations	October 2018	1 January 2020	2020
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	January 2020	1 January 2022	TBD

(Note 1) IFRS 14 entered into force on 1 January 2016, but the European Commission decided to suspend the endorsement process and to wait for the new standard on “rate-regulated activities”

On 18 May 2017, the International Accounting Standard Board (IASB) published the new IFRS 17 “Insurance contracts”. This standard shall apply to reporting periods starting on or after 1 January 2021, granted that it is endorsed by the European Union.

Specifically, the new standard provides for three approaches to measure insurance contracts:

1. Building Block Approach (BBA) — the general measurement approach for long-term contracts.

2. Premium Allocation Approach (PAA) — a streamlined model (mainly for short-term contracts).
3. Variable Fee Approach (VFA) — for contracts with direct participation features.

On 26 June 2019, IASB published publish the Exposure Draft “Amendments to IFRS 17, responding to concerns and challenges on the IFRS 17 implementation. The Board also proposed to defer the mandatory effective date of IFRS 17 by one year, so that entities will be required to apply IFRS 17 for annual periods beginning on or after 1 January 2022.

Section 2 – General accounting standards

The Annual Report and Financial Statements consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Note to the Financial Statements, as well as of the Management Report on the performance of operations, on the profits (losses) made by Crédit Agricole Italia and on its financial and cash flow position.

In accordance with Article 5 of Italian Legislative Decree No. 38/2005, the Euro has been used as the reporting currency. The amounts in the Financial Statements are expressed in Euro units, whereas the amounts in the Note to the Financial Statements and in the Management Report are expressed in thousands of Euro.

The Annual Report and Financial Statements have been prepared in compliance with the general presentation principles set down by IAS 1 and with the specific accounting standards endorsed by the European Commission and reported in Part A.2 of this Note.

No exceptions were made in applying the IASs/IFRSs.

The financial statements are compliant with the layouts and requirements set out in Bank of Italy Circular No. 262 of 22 December 2005 “Banks’ financial statements: layout and preparation” (6th update published on 30 November 2018).

The Annual Report and Financial Statements as at 31 December 2019 have been prepared on a going-concern basis, as Crédit Agricole Italia is believed to continue in operation in the foreseeable future.

Despite such a complex and continuously evolving scenario, the analyses performed based on the information at present available have given evidence to conclude that the Group will be able to handle the risks and uncertainties resulting from the Covid-19 pandemic.

As regards the reporting required pursuant to IFRS 7 on the risks which Crédit Agricole Italia is exposed to, appropriate information is provided in the Management Report and in the Note to the Financial Statements, specifically in Section E.

The Note to the Financial Statements also reports the verifications that were carried out in order to assess any impairment of financial assets and intangible assets (including goodwill).

USE OF ESTIMATES AND ASSUMPTIONS IN PREPARING THE ANNUAL REPORT AND FINANCIAL STATEMENTS

To prepare the Annual Report and Financial Statements, estimates and assumptions must be made, which can generate significant effects on the values recognized in the Balance Sheet and in the Income Statement, as well as on the information on contingent assets and liabilities reported.

Making such estimates entails the use of the information that is available at the relevant time and of subjective assessments.

By their very nature, the estimates and assumptions used may vary from one period to another. Therefore, it cannot be ruled out that the recognized values for this reporting period may vary, even to a significant extent, in future periods, subsequent to any changes in the subjective assessments used. Considering the present uncertainty in the macroeconomic scenario, especially subsequent to the Covid-19 pandemic, estimates and assumptions are difficult and entail unavoidable uncertainty elements, even in stable macroeconomic conditions.

Material factors for any assessment of the effects of the Covid-19 pandemic on the economy are its duration and the measures implemented to contain it; therefore, as further commented in section 3 below, for the time being any quantitative estimate of Covid-19 potential impact is believed impossible.

The main instances that require the use of subjective assessments to be made by the Senior Management are the following:
- Quantifying losses resulting from the impairment of loans and of other financial assets in general;
- Using measurement models for the recognition of the fair value of financial instruments that are not listed on active markets;
- assessing the consistency of the value of goodwill and of the other intangible assets;
- Quantifying the provisions for staff and for risks and charges;
- Estimating the recoverability of deferred tax assets;
- Calculating the fair value of financial instruments to be used for financial reporting purposes.

The description of the accounting policies applied to the main aggregates reported in the financial statements provides detailed information on the major assumptions made and subjective assessments used in preparing the financial statements.

CONTENTS OF THE FINANCIAL STATEMENTS

Bank of Italy – Circular no. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation": 6th update

On 30 November 2018, the Bank of Italy published the 6th update of its Circular no. 262 of 22 December 2005, in order to implement the new IFRS 16 "Leases", which was endorsed with Regulation (EU) 1986/2017 of 31 October 2017 and which has replaced IAS 17 for the accounting treatment of leases in reporting periods starting on or after 1 January 2019. It also implemented the subsequent amendments to other international accounting standards, including IAS 40 on investment property, aimed at ensuring overall consistency of the accounting framework.

The update also implemented IFRS 12 "Disclosure of Interests in Other Entities", which has clarified that the reporting obligations in force as regards equity investments shall apply also to equity investments held for sale; the reporting in the note to the financial statements on credit risk has also been supplemented requiring more information on financial assets classified as "non-current assets held for sale and discontinued operations" pursuant to IFRS 5.

The update, which is a full revision of the Circular, shall apply to the financial statements with reporting dates on or after 31 December 2019.

Balance Sheet and Income Statement

The Balance Sheet and Income Statement contain items, sub-items and further information (the "of which" for items and sub-items) and comply with the templates supplied by the Bank of Italy with Circular No. 262 of 22 December 2005 (6th update published on 30 November 2018).

In order to facilitate understanding of the figures, the statements are given in full including also the items with no amounts for the reporting year, and with no amounts for the previous year. In the Income Statement, revenues are set forth without a sign, while expense figures are set forth in parenthesis.

Statement of Comprehensive Income

The statement of comprehensive income consist of items showing the changes in the value of the assets recognized in the year offsetting the valuation reserves, net of the related tax effect.

As for the Balance Sheet and the Income Statement, in the statements, in accordance with the Bank of Italy's definition, the items with no amounts for the reporting year, and with no amounts for the previous one, have also been stated.

Negative amounts are set forth in parenthesis.

Statement of Changes in Equity

In order to facilitate understanding of the figures, the rows and columns of the Statement of Changes in Equity were inverted with respect to the same statement layout provided for by the above Bank of Italy Circular No. 262/2005. The statement shows the composition and movements of the shareholders' equity items during the reporting year and in the previous one, broken down into share capital (ordinary shares and savings shares), capital reserves, retained earnings reserves, comprehensive income and net profit or loss.

No equity instruments other than ordinary shares have been issued.

Statement of Cash Flows

The statements of cash flows for the reporting period and for the previous one were prepared using the indirect method, based on which cash flows from operating activities are represented by the profit or loss for the year, adjusted for the effects of non-monetary transactions.

Cash flows are broken down into flows generated by operations, investment operations and funding.

In the Statement, cash flows generated in the period are reported without sign, while those absorbed are reported with a negative sign.

CONTENTS OF THE NOTE TO THE FINANCIAL STATEMENTS

The Note to the Financial Statements contains the information required by Bank of Italy Circular no. 262/2005, with its updates and specifications already applicable, as well as further information required by the international accounting standards/International Financial Reporting Standards.

As for the Balance Sheet and the Income Statement, in the layouts, in accordance with the Bank of Italy's definition, the items with no amounts for the reporting year, and with no amounts for the previous one, have also been stated.

In the tables relating to the Income statement items, revenues are set forth without a sign, whereas expense figures are set forth in parenthesis.

Section 3 – Events occurred after the reporting date

SHARE CAPITAL INCREASE

Subsequent to the exercise of warrants on shares of the former Cassa di Risparmio di Cesena, which it had issued within its share capital increase on 23 September 2016, another 22,780 shares in Crédit Agricole Italia S.p.A. were issued with a nominal value of Euro 1.

Therefore, the share capital amounted to Euro 979,234,664.00*.

NETWORK RATIONALIZATION

In 2020, the rationalization of the Group's physical structures is going to continue with the closure of 41 branches of Crédit Agricole Italia.

* Figures updated as at 29 February 2020. They may change between the date of the Board of Directors meeting and the date set for the General Meeting of Shareholders.

COVERED BONDS

In early 2020, taking advantage also of the favourable market conditions, the Crédit Agricole Italia Bnaking Group issued a new dual-tranche Covered Bond, with maturities of 8 and 25 years, for a total value of Euro 1.25 billion. It was the first Italian issued of Covered Bonds in 2020 and gave evidence of one of the highest demands for Covered Bonds in the Italian market, with one the smallest spreads in recent times.

COVID-19

The coronavirus pandemic broke out in continental China at a time very close to the reporting date and then spread also to other Countries, including Italy. On 30 January 2020, the World Health Organization declared the new coronavirus (2019-nCoV) outbreak a Public Health Emergency of International Concern (PHEIC). Covid-19 is causing slowdown or interruption of economic and business activities in many sectors.

Together with the United States, China and Spain, Italy is the country that has experienced the highest number of Covid-19 cases, with still unexplained and critical concentration in specific areas of Northern Italy, which have always been the drivers of the Italian economy. As at 31 March 2020, the World Health Organization reported 755 thousand cases worldwide extending across 202 Countries: the United States accounted for 141 thousand cases (19%), Italia for 102 thousand (14%), Spain for 85 thousand (11.3%) and China 83 thousand (11%)[19].

The forecasts made by leading research institutions on the expected Italian GDP for 2020 converge on scenarios that are worse than the ones forecasted before the Covid-19 outbreak; Prometeia has recently estimated a 6.5% decrease in the Italian GDP for 2020. At the end of March, Confindustria (the main organization representing Italian manufacturing and service companies) released a first estimate expecting the 2020 GDP down by 6%, but, at the same time, its opinion is that the Italian economy should start to recover in 2021, for which it has estimated a rebound of 3.5 percentage points. In in all likelihood, these estimates will have to be frequently revised in accordance with the developments in the pandemic and in the economic situation, which will depend also on the effectiveness of the economic and fiscal measures already deployed or that will be deployed at both national and international level.

The Crédit Agricole Italia Banking Group has given concrete contributions in various areas with the following actions:

- To households residing in the first “red zone”, providing them with the possibility to suspend payment of home loan instalments;
- To businesses based in the first “red zone”, the same municipalities, providing them with the possibility to obtain
- suspension of payment of instalments for unsecured loans and mortgage loans, as well as suspension of finance lease payments;
- To hospitals in the communities where it operates, with the purchase of assisted ventilation machines, together with its Banking Foundations;
- To the Italian Red Cross, with a donation of Euro 1 million, made together by Agos, Crdit Agricole Italia, Amundi, Crdit Agricole Vita, CA Assicurazioni and the other companies of the Group. The Italian Red Cross will set up a camp hospital with all the necessary equipment, and will also buy ambulances and special vehicles for medical and emergency transportation;
- Launch of a fundraising campaign on CrowdForLife (www.ca-crowdforlife.it), the crowdfunding platform of the Crdit Agricole Italia Banking Group, where the Group’s employees, customers and anyone else can contribute to raising funds for the Italian Red Cross.

Crédit Agricole Italia considers it a non-adjusting event occurred after the reporting date, pursuant to IAS 10.

Having regard to paragraph 125 of IAS1, which requires the entity to disclose the assumptions it made on the future and other major sources of estimation uncertainty at the end of the reporting period having a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year data, any reliable quantitative estimate of the potential impact generated by Covid-19 on the profit or loss and on the financial situation of Crédit Agricole Italia and of the Crédit Agricole Italia Banking Group is deemed not possible, due to the many factors that are still unknown and hard to determine. Therefore, the Covid-19 impact will be factored in the accounting estimates of the Bank in 2020. Expected losses on financial instruments not measured at fair value through profit or loss as at 31 December 2019 have been estimated based on all reasonable and provable information available on the reporting date, as well as based on information that became available

19 OMS – Coronavirus disease (COVID-19) Situation Dashboard – March 31. 2020 18:00 CET

after the reporting date, including the developments in the main economic variables, appropriately weighted in accordance with the probability of occurrence of the various identified scenarios.
Section 1 – Credit Risk in Part E of the Note to the Financial Statements contains an analysis of the ECL sensitivity to changes in the assumptions at the basis of the choice of the main parameters used in the estimate.

As regards impairment of assets pursuant to IAS36 and specifically as regards the impairment test of goodwill and of the other intangible assets, the standards requires that, to determine an asset recoverable amount, the information obtained after the reporting date be taken into account only if such information represents conditions already existing on the reporting date, which has not be deemed the case for the Coronavirus pandemic events. Section 9 of Assets in Part B of the Note to the Financial Statements contains information on the assumptions used to determine the recoverable amount of goodwill and of the other intangible assets recognized within business combinations, along with the related sensitivity analysis. Furthermore, Section 10 of Assets – Part B of the Note to the Financial Statements contains the information about the assumptions underlying the approach adopted for and the outcome of the probability test of deferred tax assets pursuant to IAS 12.

Section 4 – Other matters

OPTION FOR THE ITALIAN NATIONAL TAX CONSOLIDATION

In March 2016, the national tax consolidation scheme was adopted, with effects since the 2015 tax period, by the Crédit Agricole Group in Italy; such scheme was introduced with Article 6 of Italian Legislative Decree No. 147 of 14 September 2015, according to which also the Italian “sister” companies, whose controlling Company is resident in a EU Member State, may exercise the option for consolidated taxation.

18 Companies of the Crédit Agricole Group opted to join the tax consolidation scheme and, having been designated by Crédit Agricole S.A., Crédit Agricole Italia has undertaken the role of Consolidating Entity. As new entities entered and some member entities were merged by absorption in 2019, the tax consolidation scheme, as at 31 December 2019, consisted of 23 entities.

This regime provides for the consolidated companies to transfer their taxable income (or their tax loss), as regards the Italian corporate income tax (IRES), to the consolidating Entity Crédit Agricole Italia, which calculates a single taxable income or a single tax loss for the Crédit Agricole Italia Banking Group, as the algebraic sum of the income and/or losses of the single Companies, and recognizes a single tax account payable to or receivable from the Italian Inland revenue Service.

As balancing item of taxes/lower taxes for tax losses and Allowance for Corporate Equity (ACE) benefits to be transferred to the consolidation scheme or withholdings, detractions and the like, the companies in the consolidation scheme recognize due and payables/receivables from the consolidating entity.

In its separate Financial Statements, the Consolidating Entity recognizes matching items of due and payables to/receivables from the entities in the consolidation scheme.

Specifically, the intra-group balances resulting from the tax consolidation scheme are recognized in the items:
- “Financial assets measured at amortized cost – due from banks”, or “Financial assets measured at amortized cost – loans to customers”, in accordance with the kind of counterparty, for estimating the corporate income tax (IRES) transferred by the member entities to the tax consolidation scheme;
- “Financial liabilities measured at amortized cost – due to banks”, or “Financial liabilities measured at amortized cost – due to customers”, in accordance with the kind of counterparty, for the transfer of tax losses or ACE benefits by the member entities to the tax consolidation scheme.

Finally, the tax consolidation scheme’s tax account payable to or receivable from the Italian Inland Revenue Agency is recognized under current tax liabilities or assets based on whether the IRES payable amount is higher or lower than the down-payments made.

OPTION FOR THE VAT GROUP

In November 2018, the option for a VAT Group scheme pursuant to Article 1 paragraph 24 of Italian Law no. 232 of 11 December 2016 was exercised, with effects as of 1 January 2019; the VAT Group includes the subsidiaries of

Crédit Agricole Italia having, at the same time, financial, economic and organisational links in force between them, as provided for by Italian Ministerial Decree of 6 April 2018 and by Circular no. 19/2018.

Crédit Agricole Italia has been appointed as the Crédit Agricole Italia Banking Group's Representative Member. As at 31 December 2019, the VAT Group, which initially included 15 entities, consisted of 10 entities of the Crédit Agricole Group, due to some mergers by absorption finalized in the reporting year. 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 VAT Group member entities are not subject to VAT.

INDIPENDENT AUDITORS

The Annual Report and Consolidated Financial Statements are audited by EY S.p.A, implementing the Resolution passed by the General Meeting of Shareholders on 21 April 2012, whereby this Firm was assigned the audit task for the period 2012-2020.

PUBLICATION OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The draft Annual Report and Financial Statements as at 31 December 2019 of Crédit Agricole Italia were approved by the Board of Directors at its meeting held on 06 April 2020 and the Board authorized their publication, also pursuant to IAS 10.

A.2 PARTE REPORTING ON THE MAIN FINANCIAL STATEMENT ITEMS (IFRS 9, IAS 39 AND IAS 32)

DEFINITIONS

IAS 32 defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity, or any contract establishing contractual rights and obligations to receive or deliver cash or other assets.

Derivative instruments are financial assets or liabilities the value of which evolves in accordance with that on an underlying instrument; they require low or no initial investment and are settled at a later date.

Financial assets and liabilities have been recognized in the financial statements in accordance with IFRS 9, as endorsed by the Europe Union.

IFRS 9 lays down the bases for:
1. Classification and measurement of financial instruments;
2. Impairment of exposures for credit risk deterioration;
3. Hedge accounting, excluding macro hedging.

However, it is pointed out that Crédit Agricole Italia, in accordance with the instructions of the Crédit Agricole Italia Banking Group and of its French Parent Company Crédit Agricole S.A., has exercised the option, which is given to IFRS 9 first-time adopters, to continue to fully apply IAS 39 as regards hedge accounting. Therefore, all hedges have remained within the IAS 39 scope, pending the future application of the new "dynamic risk management accounting model".

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Initial measurement

At their initial recognition, financial assets and liabilities are measured at fair value, as defined in IFRS 13.

The IFRS 13 definition of fair value is "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

Subsequent measurement

After their initial recognition, financial assets and liabilities shall be measured, in accordance with their classification, at amortized cost using the effective interest rate (EIR) method or at fair value. Derivative instruments shall always be measured at fair value.

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition, including the transaction costs that are directly attributable to its acquisition or issue, minus principal repayments, plus or minus the cumulative amortization calculated using the effective interest (EIR) method of any difference (discount or premium) between that initial amount and the maturity amount. For financial assets, the amount is adjusted for any loss allowance.

The effective interest rate is the rate that discounts the estimated future cash outflows or inflows from the financial instrument through its expected life or, as the case may be, over a shorter period, to the net book value of the financial asset or liability.

1. FINANCIAL ASSETS

Financial assets other than derivatives (debt instruments or equity instruments) shall be classified in one of the three categories given below:
- Financial assets recognized at fair value through profit or loss (FVTPL);
- Financial assets at amortized cost;
- Financial assets at fair value through equity (other comprehensive income).

The classification and measurement of financial assets depend on the financial asset nature, whether it qualifies as:
- Debt instrument (i.e. loans and securities with fixed or determinable payments);
- Equity instruments (i.e. shares).

Debt instruments

The classification and measurement of a debt instrument is determined at its initial recognition and is based on two joint criteria: the business model and the analysis of its contractual characteristics in order to assess that the financial asset contractual terms provide for, at set dates, cash flows that are are 'solely payments of principal and interest on the principal amount outstanding' (the "SPPI test"), unless the fair value option is exercised.

Business Model

The business model expresses how a cluster of financial assets is collectively managed in order to pursue a set corporate objective, thus representing the strategy of the Crédit Agricole Italia Banking Group in managing its financial assets. The business model is determined for an asset portfolio, rather than specifically for a single financial asset.

There are three business models:
- Hold To Collect (HTC), the objective of which is to hold the financial asset to collect its contractual cash flows throughout its useful life; this model does not require that all the assets be held until their contractual maturity;

however, any sale of the assets is subject to restrictions in terms of frequency and significance. In the financial year, sales are permitted as long as they do not breach a non-significance threshold that, based on the policy implemented by Crédit Agricole Italia, varies in accordance with the portfolio average duration;

- Hold To Collect and Sell (HTC&S), the objective of which is to hold the financial assets both to collect their contractual cash flows and to sell them; in this model, both the sale of financial assets and the collection of their cash flows are permitted;
- Other, this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not qualify for the previous categories (Hold to Collect and Hold to Collect and Sell). In general, this classification applied to a portfolio of financial assets whose management and performance are measured based on fair value.

In accordance with the standard and with the choices made by the Crédit Agricole Italia Banking Group, the sale of financial assets classified in the HTC business model HTC are allowed in different terms, as described below, based on whether the sale concerns a security portfolio or a loan portfolio.

Sales of securities are allowed for the following reasons:

a) Increase in credit risk;
b) Debt instruments close to maturity;
c) The sales are frequent but not significant;
d) The sales are not frequent.

Specifically:

a) Sales allowed due to an increase in credit risk

The Crédit Agricole Italia Banking Group has identified the following criteria to allow the sale of debt securities classified in the Hold to Collect Business Model; the sale shall be allowed when even just one of the following criteria is met.

- Accounting indicator: downgrade from Stage 1 to Stage 2 or to Stage 3;
- Risk indicator: downgrade of 3 notches in the issuer's long-term external rating (or the equivalent for internal rating) since the instrument purchase; downgrade of 2 notches in the issuer's country risk since the instrument purchase;
- Market indicators:
  - Evolution in the issuer's credit spread between the date of purchase and the date of sale of the instrument;
  - Evolution in the issuer's premium CDS between the date of purchase and the date of sale of the instrument;

b) Sales permitted as the debt instruments are close to maturity

Financial assets in the Hold to Collect portfolio may be sold if they are close to maturity and the proceeds from their sales approximate the collection of the remaining contractual cash flows (IFRS 9.B4.1.3B).

In order to judge such sales consistent with the Hold to Collect Business Model, the following parameters were defined:

- Time to maturity considered admissible of 6 months;
- A maximum difference between the proceeds from the sale and the remaining contractual cash flows (amortized cost) of 3% (without taking into account fair value hedge effects).

c) Frequent but not significant sales

In the financial year, sales are permitted up to a 15% limit; this non-significance threshold varies in accordance with the portfolio average duration.

d) Infrequent sales.

- Changes in the tax legislation entailing higher tax expenses generating a not negligible impact for the Crédit Agricole Italia Banking Group;
- Non-recurring transactions by the issuer/the issuer's Group (i.e. mergers, sales of business units and, in general, any other non-recurring transaction impacting on the entity's equity);

- Changes in the applicable legislation or regulations;
- Need to strengthen capital requirements.

Sales of loans are allowed for the following reasons:
- Increase in credit risk;
- Loans close to maturity and with a sale price that approximates the remaining contractual cash flows;
- The sales are frequent but not significant;
- Infrequent sales that are potentially significant.

Specifically:

a) Sales allowed due to an increase in credit risk

The Crédit Agricole Italia Banking Group has identified the following criteria to allow the sale of loans classified in the Hold to Collect Business Model; the sale shall be allowed when even just one of the following criteria is met:
- Accounting indicator: downgrade from Stage 1 to Stage 2 or to Stage 3;
- Risk indicators (applying to large-corporate customers only): downgrade of 3 notches in the issuer's long-term external rating (or the equivalent for internal rating) since the instrument purchase; downgrade of 2 notches in the issuer's country risk since the instrument purchase;

b) Sales permitted as the loans are close to maturity

The sales of loans classified in the Hold to Collect business model shall be allowed if all the following criteria set by the Group are met:
- The financial assets to be sold have residual life of less than 6 months;
- The value of the assets to be sold is close to the amortized cost of the financial asset (also in case of frequent sales);
- The difference between the loan sale price and amortized cost must not exceed 3%, without taking into account fair value hedge effects.

c) Frequent but not significant sales

In the financial year, sales are permitted up to a 15% limit; this non-significance threshold varies in accordance with the portfolio average duration.

d) Infrequent sales.
- Changes in the tax legislation entailing higher tax expenses generating a not negligible impact for the Crédit Agricole Italia Banking Group;
- Non-recurring transactions by the issuer/the issuer's Group (i.e. mergers, sales of business units and, in general, any other non-recurring transaction impacting on the entity's equity);
- Changes in the applicable legislation or regulations;
- Need to strengthen capital requirements.

The contractual characteristics ('Solely Payments of Principal & Interest' or SPPI test):

The SPPI test provides for a set of criteria to be examined as a whole, whereby it can be determined whether the contractual cash flows are consistent with the characteristics of a basic lending arrangement (repayments of face principal and payment of interests on the face principal still outstanding).

The test is passed if the loan entitles exclusively to principal repayment and if the payment of collected interests represents the time value of money, the credit risk associated with the instrument, other costs and risks of a classic lending arrangement, as well as a reasonable profit margin, in case of both fixed and floating interest rates.

Under a basic lending arrangement, interest represents the cost of the passage of time, the price for credit and liquidity risks over the period, and other components linked to the asses maintenance cost (e.g.: administrative costs...).

If no conclusion can be made with this qualitative analysis, a quantitative analysis (or benchmark test) shall be made. This additional analysis consists in comparing the contractual cash flows of the asset under analysis to the cash flows of a benchmark asset (an asset with characteristics that are similar to those of the asset under analysis but "simple").

If the difference between the cash flows of the financial asset and those of the benchmark instrument is not deemed significant, the asset shall be considered a basic lending arrangement.

Furthermore, a specific analysis shall always be carried out if the financial asset provides for payments with different priorities linked to flows from other benchmark financial assets (e.g. In case of Credit Linked Instruments (CLI) or instruments issued by Special Purpose Entities (SPE) incorporated within Project Finance schemes), as regards which the credit risk concentration for each single tranche shall be analyzed. In this case, the SPPI tests requires the analysis of the characteristics of the contractual cash flows of the asset in question and of the underlying assets, in accordance with a "look-through" approach, and of the credit risk borne by the subscribed tranches compared to the credit risk of the underlying assets.

The recognition of debt instruments resulting from the definition of the business model along with the 'SPPI' test can be presented with the chart below:

Debt instruments		**Management models**		
		HTC	**HTCS**	**HTS**
SPPI testing	Passed	Amortized cost	Fair value through equity (OCI) with recycling	Fair value through profit or loss
	Not passed	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss

<u>Debt instruments at amortized cost</u>

Debt instruments shall be measured at amortized cost if they are eligible for the HTC model and if they pass the 'SPPI' test.

They are recognized at the settlement date and their initial measurement includes accrued interest and transaction costs.

The amortization of any premiums/discounts and transaction costs of fixed-income securities are recognized in the Income Statement with the effective interest rate method.

This category of financial assets is subject to impairment in accordance with the criteria set forth in the specific paragraph "Impairment for credit risk".

<u>Debt instruments at fair value through equity with recycling</u>

Debt instruments shall be measured at fair value through equity with recycling if they are eligible for the HTC&S model and if they pass the 'SPPI' test.

They are recognized at the settlement date and their initial measurement includes accrued interest and transaction costs.

The amortization of any premiums/discounts and of security transaction expenses is recognized in the Income Statement with the Effective Interest Rate (EIR) method.

These financial assets are then measured at fair value and fair value changes are recognized through equity (with recycling) as the financial asset balancing item (excluding interest accrued taken to the Income Statement with the EIR method).

In case of sale, any fair value changes recognized through Equity are transferred to the Income Statement.

This category of financial instruments is subject to impairment in accordance with the criteria set forth in the specific paragraph "Impairment for credit risk" (without any resulting impacts on the fair value on the balance sheet).

Debt instruments at fair value through profit or loss (FVTPL)

Debt instruments are measured at fair value through profit or loss in the following cases:
- The instruments are classified in the portfolio held within the Other Business Model (or financial assets held for trading or held with the main objective of selling them): financial assets held for trading are assets acquired or generated by the company mainly in order to sell them in the short term or part of a portfolio of instruments managed collectively in order to generate a profit from price fluctuations in the short-term or from the profit of the operator. Although contractual cash flows are collected in the period in which the Crédit Agricole Italia Banking Group holds the assets, the collection of such contractual cash flows is not essential but rather incidental.
- Debt instruments mandatorily measured at FVTPL as they do not comply with the 'SPPI' test requirements. For instance, this is the case of Collective Investment Undertakings (open-end funds and closed-end funds);
- The financial instruments classified in portfolios for which the entity opts for fair value measurement. In that case, it is a specific designation of instruments to be measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (directly recognized in the income statement) and including accrued interest.

Afterwards, they are measured at fair value and value changes are taken to the income statement, in net banking income, as the balancing item of the balance sheet item reporting the financial assets.

This category of financial assets is not subject to impairment.

Debt instruments measured at fair value through profit or loss are recognized at the settlement date.

Equity instruments

Equity instruments are recognized at fair value through profit or loss - FVTPL, unless an irrevocable option for their measurement at fair value through equity (in this case "without recycling") is exercised, granted that such instruments are not held for trading.

Equity instruments at fair value through profit or loss

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (directly recognized in the income statement). They are recognized at their settlement date.

Afterwards, they are measured at fair value and value changes are taken to the income statement, in net banking income, as the balancing item of the value of the financial assets on the balance sheet.

This category of financial assets is not subject to impairment.

Equity instruments at fair value through equity without recycling (irrevocable option)

The irrevocable option to recognize equity instruments at fair value through equity without recycling may be exercised for each single transaction and shall apply as of the date of initial recognition. These securities are recognized at their settlement date. The initial fair value includes transaction costs.

At subsequent measurements, fair value changes are recognized in equity. In case of sale, these changes are not recycled to profit or loss; therefore, the profit or loss from the sale continues to be recognized in equity.

Only collected dividends are recognized in profit or loss.

Reclassification of financial assets

In the very few cases of a significant change in the business model used for managing financial assets (which, in accordance with the standard, may occur for start of a new activity, acquisition of entities, disposal or discontinuation of a business line), a reclassification of these financial assets is necessary.

In such cases, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

Where any "Financial assets measured at fair value through profit or loss" is reclassified under "Financial assets measured at amortized cost", the fair value as at the reclassification date shall become the new gross book value; the date of reclassification shall be the date of initial recognition for assigning the credit risk stage in order to estimate impairment. Where the financial asset is reclassified under "Financial assets measured at fair value through other comprehensive income", the financial asset shall continue to be measured at fair value. The effective interest rate shall be determined based on the asset fair value as at the reclassification date.

If the financial asset is reclassified from measured at amortized cost to measured at fair value through profit or loss, its fair value shall be measured as at the reclassification date. The profits or losses from any difference between the previous amortized cost of the financial asset and its fair value shall be recognized through profit or loss.

If the financial asset is reclassified from measured at fair value through other comprehensive income to measured at amortized cost, the financial asset shall be reclassified at fair value on the reclassification date. However, accumulated profit (loss) previously recognized through other comprehensive income shall be derecognized in equity and adjusted to the fair value of the financial asset as at the reclassification date. Consequently, the financial asset shall be measured as at its reclassification date as if it had always been measured at amortized cost. The effective interest rate and the measurement of expected credit losses shall not be adjusted subsequent to reclassification.

If the financial asset is reclassified from measured at amortized cost to measured at fair value through other comprehensive income, its fair value shall be measured as at the reclassification date. The profits or losses from any difference between the previous amortized cost of the financial asset and its fair value shall be recognized through other comprehensive income. The effective interest rate and the measurement of expected credit losses shall not be adjusted subsequent to reclassification.

If the entity reclassifies a financial asset from measured at fair value through other comprehensive income to measured at fair value through profit (loss) for the period, the financial asset continues to be measured at fair value. Accumulated profit (loss) previously recognized through other comprehensive income shall be reclassified from "through equity/OCI" to "profit or loss for the period" with a reclassification adjustment (as per IAS 1) as at the reclassification date.

Reclassification is not allowed for equity securities.

Temporary investments in/disposals of securities

Temporary disposals of securities (loans of securities, securities transferred under repurchase agreements) do not generally fulfil the conditions for derecognition.

Securities lent or sold under repurchase agreements remain on the balance sheet. In the case of securities under repurchase agreements, the amounts received, representing the liability to the transferee, are recognised on the liabilities side of the balance sheet by the transferor.

Securities borrowed or received under repurchase agreements are not recognised on the balance sheet of the transferee.

In the case of securities disposed of under repurchase agreements, an account receivable from the transferor is reported on the balance sheet of the transferee and offset against the amount paid. If the security is subsequently resold, the transferee recognizes a liability measured at fair value representing its obligation to return the security received under repurchase agreements.

Revenue and expenses relating to such transactions are recognized to profit and loss on an accrual basis, except in the case of classification of assets and liabilities at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or group of financial assets) is fully or partially derecognized if:

- The contractual rights to the cash flows from the financial assets expire;
- The contractual rights to the cash flows from the financial assets are transferred or are deemed as such because they belong de facto to one or more beneficiaries and when substantially all the risks and rewards of the financial asset are transferred..

In this case, any rights or obligations in force at the time of transfer are recognised separately as assets and liabilities.

If the contractual rights to the cash flows are transferred but some of the risks and rewards of ownership as well as control are retained, the financial assets continue to be recognised to the extent of the entity's continuing involvement in the asset.

Furthermore, impaired financial assets may be derecognized when the entity can no longer reasonably expect to recover a financial asset (write-off). A financial asset may be written off before the conclusion of the legal actions for its recovery and this does not necessarily entail waiver by Crédit Agricole Italia of its legal right to collect the credit claim. In this case, the gross nominal value of the loan remains unchanged, but its gross book value is written down by the write-off amount. The write-off may concern the entire amount of a financial asset or part thereof and is equal to:

- The reversal of total value adjustments as the balancing item of the financial asset gross value;
- For any portion exceeding the amount of total value adjustments, the financial asset impairment recognised directly through profit or loss.

Any recoveries from collection after the write-off are recognized in the income statement as recoveries on impairment/writebacks.

2. FINANCIAL LIABILITIES

Financial liabilities are classified on the balance sheet in the two accounting categories given below:

- Financial liabilities at fair value through profit or loss, either by their nature or by designation;
- Financial liabilities at amortized cost.

<u>Financial liabilities at fair value through profit or loss by their nature</u>

Financial instruments issued primarily to be bought back in the short term, instruments belonging to an identified portfolio of financial instruments which are managed collectively and for which there is evidence of a strategy pursuing short-term profit-taking, and derivatives (with the exception of certain hedging derivatives) are measured at fair value by their nature.

Any changes in the fair value of this portfolio are recognized through profit or loss.

<u>Financial liabilities designated at fair value through profit or loss</u>

Financial liabilities fulfilling one of the three conditions defined by the standard (and described above) may be designated for measurement at fair value through profit or loss: for hybrid issues comprising one or more separable embedded derivatives, in order to reduce or eliminate the distortion of accounting treatment, or in the case of groups of managed financial liabilities for which performance is measured at fair value.

This designation option is irrevocable and applies mandatorily from the date of initial recognition of the instrument.

Upon subsequent measurement, these financial liabilities are measured at fair value through profit or loss for changes in fair value not related to Crédit Agricole Italia's own credit risk and with balancing item through equity (other comprehensive income) with no recycling for value changes related to own credit risk.

Financial liabilities measured at amortized cost

All other liabilities fulfilling the definition of a financial liability (excluding derivatives) are measured at amortised cost.

These liabilities are initially measured at fair value (including transaction income and costs) and subsequently at amortised cost using the effective interest rate method.

Reclassification of financial liabilities

The initial classification of financial liabilities is irrevocable. No subsequent reclassification is authorised.

Distinction between debt – equity instruments

Securities are classed as debt instruments or equity instruments based on the economic substance of the contractual arrangements.

A financial liability is a debt instrument if it includes a contractual obligation to:

- Provide another entity with cash, another financial asset or a variable number of equity instruments;
- Exchange financial assets and liabilities with another entity at potentially unfavourable conditions.

An equity instrument is a non-redeemable financial instrument which offers discretionary return representing a residual interest in a company after deduction of all its financial liabilities (net assets) and which is not qualified as a debt instrument.

Treasury share buyback

Treasury shares or equivalent derivative instruments such as options on shares bought with a fixed strike ratio, including shares held to cover stock option plans, do not meet the definition of a financial asset and are recognized as reduction in equity. They do not generate any impact on the income statement.

Derecognition of and change to financial liabilities

A financial liability is derecognised in full or in part:

- When it is extinguished;
- When quantitative or qualitative analyses show it has undergone a substantial change following restructuring.

A substantial change in an existing financial liability shall be recognized as the extinction of an initial financial liability and the recognition of a new financial liability (novation). Any difference between the book value of the extinguished liability and the new liability shall be recognised immediately in the income statement.

If the financial liability is not derecognised, the original effective interest rate (EIR) shall be maintained and the book value shall be change through profit or loss on the date of change, discounting the new future cash flows (as resulting from the change) to the date of change using the original EIR. This impact is then spread over the residual lifetime of the instrument based on the original effective interest rate.

3. DERIVATIVE FINANCIAL INSTRUMENTS

Classification and measurement

Derivative instruments are financial assets or liabilities classified by default as derivative instruments held-for-trading unless they can be considered to be hedging derivatives.

They are initially recognized at fair value on the settlement date and then measured at fair value.

At each reporting date, the fair value changes on derivative contracts shall be recognized:
- Through profit or loss for derivative instruments held for trading or for fair value hedging;
- Through equity (other comprehensive income) for derivative instruments held as cash flow hedges or hedges of net investments in foreign operations, for the effective portion of the hedge.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that meets the definition of a derivative product. This definition applies only to financial liabilities and non-financial contracts. Embedded derivatives must be accounted for separately from the host contract if the following three conditions are met:
- The hybrid contract is not measured at fair value through profit or loss;
- The embedded component taken separately from the host contract has the characteristics of a derivative;
- The characteristics of the derivative are not closely linked to those of the host contract.

Conversely, financial assets with an embedded derivative are classified as a whole as separation is not allowed: in these cases, the instrument as a whole shall be classified under ”financial assets measured at fair value through profit or loss”.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

In accordance with IAS 32, the Crédit Agricole Italia Banking Group offsets a financial asset against a financial liability and recognizes a net amount when and only when it has a legally enforceable right to offset the recognized amounts and intends either to settle the net amount or to realize the asset and settle the liability simultaneously.

The derivative instruments and the repurchase agreements handled with clearing houses that meet the two criteria required by IAS 32 have been offset on the balance sheet.

NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS

Net gains (losses) on financial instruments at fair value through profit or loss

For financial instruments recognised at fair value through profit or loss, this item notably reports the following income statement elements:
- Dividends and other revenues from equities and other variable-income securities which are classified under financial assets at fair value through profit or loss;
- Changes in fair value of financial assets or liabilities at fair value through profit or loss;
- gains and losses on disposal of financial assets at fair value through profit or loss;
- Changes in fair value and gains and losses on disposal or termination of derivative instruments not included in a fair value hedging relationship or cash flow hedge.

This item also reports the ineffective portion of hedges.

Net gains (losses) on financial instruments at fair value through other comprehensive income

The “Financial assets measured at fair value through equity (OCI)” item notably reports the following income statement elements:
- Dividends from equity instruments classified as financial assets at fair value through equity without recycling;
- Gains (losses) on disposals and net income associated with the termination of hedging relationships on debt instruments classified as financial assets at fair value through equity with recycling;
- Net income on disposals or associated with the termination of fair value hedging instruments of financial assets at fair value through equity when the hedged item is sold.

FINANCING COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

Financing commitments that are not designated as fair value through profit or loss or not treated as derivative instruments within the meaning of IFRS 9 are not recognised on the balance sheet. . However, they are covered by provisions in accordance with IFRS 9.

A financial guarantee contract is a contract under which the issuer must make specific payments to reimburse the guarantee holder for a loss incurred due to a specific debtor’s failure to make a payment when due under the initial or amended terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value and subsequently at the higher of:
- The value adjustment amount for losses determined in accordance with IFRS 9;
- The amount originally recognised less, where applicable, the costs recognised in accordance with IFRS 15.

IMPAIRMENT FOR CREDIT RISK

Scope of application

In compliance with IFRS 9, Crédit Agricole Italia recognizes impairment with write-downs representing Expected Credit Losses (ECL) on the categories of financial assets given below:
- Financial assets consisting of debt instruments and recognised at amortised cost or at fair value through equity with recycling (loans and receivables, debt securities);
- Financing commitments which are not measured at fair value through profit or loss;
- Guarantee commitments that fall within IFRS 9 scope of application and that are not measured at fair value through profit or loss;
- Loans for leases falling in the IFRS16 scope and
- Trade receivables generated by transactions under the IFRS 15 scope of application.

Equity instruments (at fair value through profit or loss or at fair value without recycling) are not concerned by impairment provisions.

Derivative instruments and other instruments at fair value through profit or loss are subject to the calculation of counterparty risk which is not covered by the ECL model.

Credit risk and impairment (provisioning) stages

Credit risk is defined as risk of loss related to default by a counterparty leading to its inability to meet its commitments to Crédit Agricole Italia.

The model of impairment (provisioning) for credit risk has three stages:
- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee...), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, Crédit Agricole Italia shall recognize the losses expected up to maturity;

- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, Crédit Agricole Italia shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, and then in stage 1 where the quality of credit risk further improves.

Definition of default:

The definition of default for the requirements of ECL provisioning is identical to that used in management and for the calculation of regulatory ratios. Therefore, a debtor is considered to be in default when at least one of the following conditions has been met:
- A payment more than ninety days past due (in accordance with the regulatory definition of non-performing past due position given by the Bank of Italy);
- The entity believes that the debtor is unlikely to fully settle its credit obligations unless the entity implements certain measures such as enforcement of collateral security right (in accordance with the definition of unlikely to pay given by the Bank of Italy);
- Insolvency status (in accordance with the definition of bad loan given by the Bank of Italy).

Definition of Expected Credit Loss – ECL

ECL is defined as the weighted expected value of the discounted credit loss (principal and interest).

It is the present value of the difference between contractual cash flows and expected ones (including principal and interest).

The ECL approach has been designed to anticipate as early as possible the recognition of expected credit losses.

ECL governance and measurement

The Risk Management and Permanent Controls Department is responsible for defining the methodological framework and for overseeing the process for ECL-related impairment of exposures and provisioning.

The calculation of impairment of performing assets is represented within the overall cost of credit process, which is coordinated by the Unlikely to Pay (UTP) Management Division.

To define the IFRS 9 parameters required to calculate Expected Credit Losses (ECL), the Crédit Agricole Italia Banking Group and, therefore, Crédit Agricole Italia have primarily relied on the 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. Crédit Agricole Italia, consistently with the Crédit Agricole Italia Banking Group and with its French Parent Company Crédit Agricole S.A., uses the following scenarios:
- Baseline scenario, i.e. the most likely scenario;
- Adverse scenario, i.e. the economic scenario in adverse conditions;
- Stress Budgétaire scenario, i.e. the adverse scenario used within the Stress exercise for budget preparation;
- Favourable scenario, i.e. the economic scenario in favourable conditions;

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

The Crédit Agricole Group updates the estimate of the parameters at least every year.

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

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

ECLs are calculated according to the type of product concerned, i.e. financial instruments or off-balance sheet instruments.

Expected credit losses are discounted at the Effective Internal Rate (EIR) determined upon initial recognition of the financial instrument.

The models and parameters used are backtested at least annually.

Significant deterioration of credit risk

For each financial instrument, Crédit Agricole Italia and the Crédit Agricole Italia Banking Group assess 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 threshold
Large Corporate		2,0%
Small Medium Enterprises		3,0%
Retail	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, Crédit Agricole Italia 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), Crédit Agricole Italia considers that all of the information entered 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 (as defined below).

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

For its security portfolios, Crédit Agricole Italia, as done by 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).

Post-model adjustments

Based on the results obtained with the calculation approach defined by the Crédit Agricole Italia Banking 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.

Impairment model on stage 3

Within the review of its impairment model for the non-performing portfolio, already essentially based on the discounting of future recovery flows, the further requirement of IFRS 9 to estimate a multi-scenario and forward-looking ECL was complied with combining the already envisaged scenario of internal recovery with an alternative recovery scenario consisting in the sale of the single non-performing exposure on the market.

This choice proved consistent with the objectives set in the NPL Strategy of the Crédit Agricole Italia Banking Group, which primarily identifies the reduction of the NPL stock (especially bad loans), through the sale of certain portfolios, as the strategy able, in certain conditions, to maximize their value for the Group, considering also the time for NPE recovery.

Specifically, as laid down in its “Guidance to banks on non-performing loans” published in March 2017, the ECB expects Banks with an NPL level that is considerably higher than the EU average level to design a strategy aimed at progressively reducing their NPLs; those changes in the NPL recovery strategies have been taken into account in applying IFRS 9.

Indeed, IFRS 9 (paragraph 5.5.17) reads that “the entity shall measure expected credit losses in a way that reflects:
a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) The time value of money;

c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions".

Specifically, IFRS 9 defines loss as the difference between all the contractual cash flows due and the cash flows that the entity expects to receive; therefore, the source of cash flows is not limited to the relevant contract, but includes all the cash flows that the creditor will receive. Consequently, if the entity intends to sell a non-performing loan to a third party in order both to increase its cash flows as much as possible and to implement a specific strategy for NPL management, the ECL estimate shall reflect also the sale scenario and, thus, the cash flows from the sale. In accordance with IFRS 9, sales scenarios that are merely possible may be taken into account and, as such, shall be smoothed with others that are deemed more likely.

Having said that, in the measurement of loans and receivables, in accordance with the IFRS 9 impairment model, Crédit Agricole Italia considers the various assumed recovery strategies in order to proportionally align them to a probability of sale determined consistently with the Group's NPL Plan.

Consequently, to the "ordinary" scenario, which assumes a recovery strategy based on loan collection typically through legal actions, realization of mortgage collaterals, contracts with loan collection firms, also the scenario of loan sale was added.

Measuring the impairment loss requires the assessment of the future cash flows that are deemed recoverable in the most likely scenario.

The methods to assess the loan recovery forecasts, in compliance with the European Central Bank Guidance, consist in an estimate of future cash flows made based on two general approaches:

- In a scenario where the borrower is assumed as a going-concern, the cash flows from operations continue to be generated and can be used to repay the financial debt; the so-called "Going Concern Approach";
- In a scenario where the borrower is assumed to discontinue operations, no cash flows from operations are generated to be used for debt service; the so-called "Gone Concern Approach".

The Going Concern Approach is mainly applied to cases in which the cash flows from the borrower's operations are material (vs. the debt) and can be reliably estimated, as well as in all cases in which the exposure is not backed with collaterals or is limitedly secured and to the extent collaterals can be realized without prejudicing the borrower's ability to generate future cash flows.

In measuring generated cash flows, also the cash flows from operations of any guarantor may be taken into account.

The Gone Concern Approach shall apply where there are no significant cash flows from operations vs. the debt or where the exposure is largely secured and the enforcement of the related collaterals is essential to generate cash flows.

Contract modifications of financial assets

When the original contractual conditions are modified by the parties, it is to be verified whether the financial asset shall continue to be recognized or the original financial asset is to be eliminated recognizing a new financial instrument.

To this end, it is to be assessed whether the modifications to the contract terms and conditions as renegotiated are substantial or not.

In case of substantial modifications, the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

Renegotiations are deemed substantial if they introduce specific objective elements affecting the characteristics and/or cash flows of the financial instrument or if they concern customers that are not experiencing financial difficulties, in order to align the contract onerousness to the current market conditions. In the latter case, it is to be specified that, if the Crédit Agricole Italia did not agree to a renegotiation of the contractual conditions, the customer would be able to borrow from another intermediary with the subsequent loss by Crédit Agricole Italia of the revenue flows under the renegotiated contract; in other words, in case of renegotiation for commercial reasons, no loss in to be recognized by Crédit Agricole Italia in its income statement subsequent to the alignment to the current market conditions that are more favourable for its customers.

Conversely, in case of renegotiations deemed not substantial, the entity shall redetermine the present value of the new cash flows subsequent to the renegotiation, based on the original rate of the exposure in force before the renegotiation. The difference between such value and the book value before the modification shall be recognized in the specific item of the income statement as profit or loss from contract modifications with no derecognition ("modification accounting").

Restructuring due to financial difficulties (forbearance measures)

Debt instruments that are restructured due to financial difficulties are those for which the entity has modified the initial financial conditions (interest rates, maturity) for business and legal reasons linked to the financial difficulties experienced by the borrower, in ways that would not have been applied in other circumstances.

This concerns all debt instruments, irrespective of the category the security has been classified into based on the deterioration in credit risk since initial recognition.

Loan restructuring includes all the modifications made to one or more loan contracts, as well as any other loans or credit facilities granted in consideration of the financial difficulties experienced by the customer.

This restructuring concept shall be assessed with regard to the contract rather than with regard to the customer (no contagion).

The definition of restructured loans subsequent to financial difficulties experienced by the customers is based on two cumulative criteria:

- Contract modifications or loan refinancing;
- A Customer in a difficult financial position.

«Contract modifications» are, for example, situations in which:

- There is a difference in favour of the borrower between the modified contract and the conditions before contract modification;
- The modifications made to the contract lead to conditions that are more favourable for the concerned borrower than those that other borrowers of Crédit Agricole Italia, having similar risk profiles, could have obtained at that moment in time.

«Refinancing» means a new debt/loan is granted to the customer to repay, fully or in part, another debt as regards which the customer cannot comply with the contract conditions because of its financial situation.

The restructuring of a loan (whether performing or defaulted) is a sign of possible incurred loss risk. Therefore, the restructured/forborne exposure shall be accordingly assessed for any impairment/provisioning (restructuring does not systematically entail adjustment for incurred loss and classification as defaulted).

The classification as "restructured loan" or "forborne exposure" is temporary.

If the restructuring transaction is carried out in accordance with the instructions of the European Banking Authority (EBA), the exposure retains the "restructured/forborne" status for at least 2 years, if it was performing upon restructuring, or for 3 years if it was defaulted upon restructuring. These periods shall be longer if some events provided for in the Crédit Agricole Italia Banking Group's principles occur (for instance "reoccurrence").

With no derecognition, the reduction in future flows granted to the counterparty or the deferral of such flows over a longer time horizon than the one before the restructuring shall entail recognition of impairment in the Income Statement.

The impairment for the restructuring shall be calculated as the difference between:
- The loan book value;
- The sum of the restructured future flows discounted at the original Effective Interest Rate (EIR).

In case of waiver of the claim to part of the principal, this amount shall be immediately recognized as an impairment adjustment of the loan.

Upon impairment, the portion regarding the passage of time shall be recognized under net interest income.

Purchased or Originated Credit-Impaired (POCI) assets

Pursuant to IFRS 9, a financial asset is considered impaired upon initial recognition if credit risk is very high and it is purchased with significant rebates vs. the residual contractual debt.

If, based on the classification drivers (SPPI test e Business Model), these financial assets are classified as assets measured at amortized cost or at fair value through other comprehensive income, they shall be classified as “Purchased or Originated Credit Impaired Assets” (“POCI”) and shall be subject to specific treatment as regards impairment.

As regards these exposures, IFRS 9 requires:
- Their initial recognition at fair value;
- That the expected credit loss be always estimated based on the expected loss over the lifetime of the financial instrument;
- That recognized interests be determined applying the “credit-adjusted effective interest rate” (“Credit Adjusted EIR”) or the interest rate that, upon initial recognition, discounts all estimated future cash flows to the amortized cost of the asset, taking account in the estimate also of expected credit losses.

HEDGE ACCOUNTING

General framework

In compliance with the decision made by the Crédit Agricole Group, the Crédit Agricole Italia Banking Group and Crédit Agricole Italia have not applied the “hedge accounting” section of IFRS 9, exercising the option given by IFRS9 itself. All hedges have continued to be reported in accordance with IAS 39, up to the date of application of the supplement on fair value macro hedging (after its endorsement by the European Union). However, the eligibility of financial instruments for hedge accounting in accordance with IAS 39 takes into account the bases of classification and measurement of financial instruments pursuant to IFRS 9.

In accordance with IFRS 9 and with the IAS 39 hedging principles, eligible fair value and cash flow hedges are debt instruments at amortized cost and at fair value through equity (other comprehensive income) with recycling.

The Crédit Agricole Italia Banking Group hedges interest rate risk in order to immunize the Banking Book from changes in the fair value of funding and lending, caused by adverse movements in the interest rate curve, or of reducing the uncertainty of cash flows linked to a specific asset/liability in an integrated balance sheet perspective. Specifically, fixed-rate debenture loans have been hedged (micro-hedging), as have the mortgage loans with cap to Customers (macro-hedging), government securities in reserves (asset-swap hedging) and fixed-rate gaps detected by the internal model, which have been subject to macro-hedging. The hedges were made exclusively by purchasing Interest Rate Swaps (IRS) and Interest Rate Options (IRO).

Documentation

Hedging relationships shall comply with the following principles:
- Fair value hedges have the purpose of protecting the entity against exposure to changes in the fair value of a recognize asset or liability or of an irrevocable commitment not recognized, attributable to the hedged risk or risks and able to impact on the income statement (for instance, total or partial hedge of fair value changes due to interest rate risk on a fixed-rate debt);

- Cash flow hedges have the purpose of protecting the entity against exposure to changes in future cash flows of a recognized asset or liability or of a transaction deemed very likely, attributable to the hedged risk or risks and able (in case of an expected transaction not occurred) to impact on the income statement (for instance, hedging of all or part of the payment of future interests on a variable-rate debt);
- Hedges of net investments in foreign operations have the purpose of protecting the entity against the risk of any unfavourable change in fair value associated with the foreign exchange risk within an investment in foreign operations in a currency other than the Euro.

When an entity intends to use hedges, the following conditions shall be met in order to benefit from hedge accounting:
- Eligibility of the hedging instrument and of the hedged instrument;
- Formalized documentation since inception, specifically including the individual designation and the characteristics of the hedged item, of the hedging instrument, the type of hedging relationship and the nature of the hedged risk;
- Evidence of the hedge effectiveness, at inception (i.e. prospectively) and retrospectively, through tests made at each reporting date.

For interest rate risk hedging of a portfolio of financial assets or financial liabilities, Crédit Agricole Italia, in line with the Crédit Agricole Italia Banking Group, prefers a fair value hedging relationship, as permitted by IAS 39 endorsed by the European Union (carve-out version).

Specifically:
- Crédit Agricole Italia documents these hedging relationships based on a gross position of derivative instruments and hedges items;
- The effectiveness of these hedging relationships is proved with effectiveness tests.

Measurement

The measurement of the derivative at fair value is recognized as follows:
- Fair value hedges: the derivative remeasurement is recognized in the income statement matching the remeasurement of the hedged item. The income statement reports only the net amount of any ineffective portion of the hedge;
- Cash flow hedges: the derivative remeasurement is recognised as a balancing item of a specific profit or loss account directly recognized through equity with recycling for the effective portion and any ineffective portion of the hedge is recognised through profit or loss. Cumulative profits and losses on the derivative through equity are then recycled through profit or loss when the hedged cash flows occur;
- Hedges of net investments in foreign operations: the derivative remeasurement derivative is recognised as a balancing item through equity with recycling and the ineffective portion of the hedge is recognized through profit or loss.

Where the conditions for benefiting from hedge accounting are no longer met, the following accounting treatment shall be applied prospectively:
- Fair value hedges: only the hedging instrument continues to be remeasured through profit or loss. The hedged item is wholly recognized in accordance with its classification. For debt instruments at fair value through equity with recycling, fair value changes after the termination of hedging relationship shall be fully recognized through equity. For hedged items measured at amortized cost, which were hedged for interest rate risk, the remaining portion of the remeasurement difference shall be amortized over the remaining life of the hedged items;
- Cash flow hedges: the hedging instrument is measure at fair value through profit or loss. The amounts accumulated through equity and regarding the effective portion of the hedge shall remain in equity until the hedged item affects profit or loss. Interest-rate hedged items shall be recognized through profit or loss as interests are paid. The remaining portion of the remeasurement difference is then amortized over the remaining life of these hedged items;
- Hedges of net investments in foreign operations: the accumulated amounts in equity regarding the hedge effective portion shall remain in equity as long as the net investment is held. When no longer within the scope of consolidation, net investments in foreign operations shall be recognized through profit or loss.

MAIN FINANCIAL STATEMENT ITEMS

1. Financial assets measured at fair value through profit or loss (FVTPL)

CLASSIFICATION

This category comprises the financial assets not classified as “Financial assets measured at fair value through other comprehensive income” or as “Financial assets measured at amortised cost”.

The “Financial assets measured at fair value through profit or loss” item consists of three sub-items:
a) “Financial assets held for trading”: this category consists of financial assets (debt securities, equity securities, loans and units in OICR collective investment undertakings) managed in order to realize cash flows through their sale and, therefore, under the “Other” Business Model; this category also includes derivative instruments (except for those classified as hedging derivatives or financial guarantee contracts);
b) “Financial assets designated at fair value”: this category consists of financial assets (debt securities and loans) so designated upon initial recognition and where the related requirements are met (fair value option). As regards this category, an entity may irrevocably designate a financial asset at fair value through profit or loss if, and only if, by doing so it removes or materially reduces any measurement inconsistency;
c) “Financial assets mandatorily measured at fair value”, consisting of the financial assets that are managed with the Business Model is “Hold to Collect” or “Hold to Collect and Sell”, but that do not meet the requirements for measurement at amortized cost or at fair value through other comprehensive income. These are financial assets that do not pass the SPPI test, as their contractual terms do not solely envisage payments of principal and interest on the principal amount outstanding, or that are managed under the “Other” business model but are not held for trading. This category reports also units in OICR collective investment undertakings and equity securities that are not held for trading, for which, at first recognition, the entity did not exercised the option to classify them at fair value through other comprehensive income.

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS 9 par. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the “Financial instruments (IFRS 9, IAS 39 and IAS 32)” paragraph in Part A.2 herein.

RECOGNITION

Debt and equity securities and units in OICR collective investment undertakings are initially recognized at the settlement date, while derivative contracts are recognized on the date they are signed. Loans are recognized on their disbursement date.

Specifically, upon recognition at the settlement date, the reporting entity recognizes any changes in the fair value of the asset to be received occurred between such date and the previous trading date, in the same way the purchased asset is recognized.

On initial recognition, “Financial assets measured at fair value through profit or loss” are recognized at fair value; unless otherwise specified, it consists of the price paid to execute the transaction and any transaction costs or revenues attributable to the instrument are not taken into account but are taken directly to the Income Statement.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, “Financial assets measured at fair value through profit or loss” are stated at fair value.

The IFRS 13 defines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

To measure the fair value of financial instruments that are listed on an active market, market prices are used. Where there is no active market, fair value is measured using generally accepted estimation methods and measurement models that take account of all the risk factors correlated to the instruments and that are based on information available on the market, such as: the measurement of the price of listed instruments with similar features, discounted cash flows, option pricing models, values reported for recent comparable transactions, etc.

For equity securities and derivative instruments that have equity securities as underlying assets, not quoted in an active market, the cost approach is used as the fair value estimate only to a residual extent and limited to very few cases, that is to say when there is a wide range of possible fair value measurements of which cost is the most significant estimate.

The effects of the application of this measurement approach are recognized in the Income Statement, under item 80 "Net profit (loss) on trading" for "Financial assets held for trading" and under item 110 "Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss" for "Financial assets designated at fair value" and for "Financial assets mandatorily measured at fair value". The same items report the derecognition of such financial assets. For more information on fair value measurement, please refer to paragraph 16 "Other Information – Fair Value Measurement" and to "Part A.4 – Fair value reporting".

DERECOGNITION

Financial assets are derecognized if one of the following cases occurs:

- Contractual rights to the cash flows from the assets have expired;
- The financial asset is sold with substantial transfer of all risks and rewards resulting from its ownership. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if the relevant legal title has been transferred. Where it is not possible to ascertain whether all the risks and rewards of ownership have been substantially transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.
- The entity retains the contractual right to receive the cash flows from the assets, but it concomitantly undertakes the contractual obligation to pay such flows to a third party (pass-through arrangements).

2. Financial assets measured at fair value through other comprehensive income (FVOCI)

CLASSIFICATION

This category consists of financial assets that meet both the following conditions:

- The financial asset is managed in accordance with the "Hold to Collect and Sell" Business Model whose objective is achieve both by collecting the contractual cash flows and by selling the asset, and
- The contractual terms of the financial asset provide for, at specified date, cash flows that are solely payments of principal and interest on the principal amount outstanding and, therefore, the SPPI test is passed.

Therefore, this category includes debt securities and loans that are managed in accordance with the "Hold to Collect and Sell" Business Model and that have passed the SPPI test. This category also includes equity instruments, not held for trading, for which the irrevocable option was exercised upon initial recognition for their designation at fair value through other comprehensive income.

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS 9 par. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the "Financial instruments (IFRS 9, IAS 39 and IAS 32)" paragraph in Part A.2 herein.

RECOGNITION

These financial assets are initially recognized at the settlement date for debt and equity securities and, as regards loans, at their disbursement date. At initial recognition, these assets are recognized at fair value that equal to, unless otherwise stated, the price paid for the transaction execution, including any costs or revenues directly attributable to the instrument.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, Assets classified at fair value through other comprehensive income, consisting of debt securities and loans, are measured at fair value, recognizing the impacts generated by the amortized costs application in the Income Statement. For amortized cost measurement, please refer to paragraph 16 "Other information – Amortized Cost Measurement". Profits and losses on fair value measurement are recognized in a specific equity reserve (item "110. Valuation reserves"), which shall be recycled to the income statement (item 100b "Profit/losses from disposal/repurchase of financial assets measured at fair value through other comprehensive income) upon derecognition of the financial asset.

"Financial assets measured at fair value through other comprehensive income" – being them debt securities and loans – are subject to impairment testing in accordance with the IFRS 9, as are Assets at amortized cost, with subsequent recognition of value adjustments in the Income Statement for expected losses.

These adjustments are recognized in the Income Statement under item "130. Net losses/recoveries for credit risk", as the balancing item of the specific valuation reserve in equity (item "110. Valuation reserves"); the same applies to recoveries on part or all write-downs made in previous periods.

Equity instruments for which the option was exercised for their classification in this category are measured at fair value; profits or losses from fair value measurement are recognized as a balancing item of a specific equity reserve (item "110. Valuation reserves"). These reserves shall never be recycled to the income statement, including where allocated by selling the asset; in that case, the accumulated balance of the reserve is not recycled through profit or loss, but it is classified under retained earnings reserves in equity (item "140. Reserves"). Moreover, these assets shall not be written down in the Income Statement as they are not subject to impairment. The only component recognized in the Income Statement is collected dividends.

Fair value is determined using the standards adopted for "Financial assets measured at fair value through profit or loss". For the equity instruments included in this category, which are not quoted in an active market, the cost approach is used as the fair value estimate to a residual extent only and in very few circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there is a wide range of possible measurements of fair value, of which cost is the most significant estimate. For more information on fair value measurement, please refer to paragraph 16 "Other Information – Fair Value Measurement" and to "Part A.4 – Fair value reporting".

DERECOGNITION

Financial assets are derecognized only if their sale has substantially transferred all the risks and rewards associated with ownership of the same assets. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if legal title has been transferred.

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

Finally, financial assets which have been sold are derecognized if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, without relevant delay to other third parties.

3. Financial assets measured at amortized cost

CLASSIFICATION

This category consists of financial assets, specifically debt securities and loans, that meet both the following conditions:

- The financial asset is managed in accordance with the "Hold to Collect" Business Model whose objective is achieve by collecting the contractual cash flows and
- The contractual terms of the financial asset provide for, at specified date, cash flows that are solely payments of principal and interest on the principal amount outstanding and, therefore, the SPPI test is passed.

More specifically, this category includes loans to customers and banks – in any technical form – and debt securities that meet the requirements referred to above. This item also reports fine lease loans under IFRS 16.

This category also includes operating loans and receivables linked to the provision of financial services, as defined by the Italian Consolidated Law on Banking (T.U.B.) and by the Italian Consolidated Law on Finance (T.U.F.) (e.g. for the distribution of financial products and servicing activities).

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS 9 par. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the "Financial instruments (IFRS 9, IAS 39 and IAS 32)" paragraph in Part A.2 herein.

RECOGNITION

Financial assets are initially recognized at the settlement date for debt securities and, as regards loans, at their origination date. This asset item reports separately

- Due from banks;
- Loans to customers.

Financial assets classified in this category are initially recognized at fair value, including any costs and revenues directly attributable to them.

Specifically, for loans, their disbursement date is usually the same as the date of contract signing. Should this not be the case, upon contract signing a commitment to disburse funds shall be recognized and derecognized on the loan disbursement date.

Loans and receivables are initially recognized at their fair value that is is equal to the amount disbursed, or subscription price, including costs and revenues directly attributable to the individual loan and determinable from the inception of the transaction, even if settled at a later time.

The initially recognized amount does not include costs to be reimbursed by the borrower or that can be classified as normal administrative overhead costs, despite having the above characteristics.

Repurchase agreements or reverse repurchase agreements are recognized as funding or lending transactions. Specifically, repurchase agreements are recognized as due and payables for the spot amount received, whereas reverse repurchase agreements are recognized as loans and receivables for the spot amount paid.

MEASUREMENT

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

Measurement at amortized cost entails that the asset is recognized at an amount equal to its initial recognition value less principal repayment, plus or minus accumulated amortization in accordance with the aforementioned effective interest rate method, of the difference between the initial amount and the amount at maturity (typically attributable to costs/income directly pertaining to the individual asset) and adjusted by any loss coverage provision.

The effective interest rate is the rate that exactly discounts the estimated future cash flows generated by the asset in terms of principal and interest, to the amount disbursed including costs and revenues attributable to the asset. Expected cash flows shall be estimated taking account of all contractual terms of the financial instrument, but irrespective of expected losses on loans and receivables. The calculation includes all fees and commissions, transaction costs and all other premiums or discounts. This measurement method uses a financial approach and allows the economic effect of the costs/income directly attributable to a financial asset to be spread over its expected remaining lifetime. For more exhaustive reporting on this matter, please refer to paragraph 16 “Other information – Amortized Cost Measurement”.

The amortized cost method is not used for assets that have short lifetime, as their discounting is expected to have negligible effects, for those with indefinite maturity and revocable loans. These assets are measured at historical cost and the costs/revenues attributable to them are recognized in the Income Statement on an accrual basis throughout their contractual term of validity.

The book value of financial assets at amortized cost is adjusted in order to report any provision for expected loss coverage. Indeed, at every reporting date, these assets are tested for impairment in order to estimate any Expected Credit Losses (ECL).

This scope includes non-performing loans (so-called “Stage 3” loans) classified as bad, unlikely- to-pay or non-performing past due in accordance with the rules issued by the Supervisory Authorities; this scope also includes performing loans classified as “Stage 1” and “Stage 2”, to which the “Expected credit losses” concept applied on a 12-month or lifetime basis, respectively.

The used bases of measurement are exhaustively described in the paragraph “Financial instruments (IFRS 9, IAS 39 and IAS 32) – Impairment for credit risk)” in Part A.2 of this document and, as already said, are strictly linked to the classification of these instruments in one of the three stages (credit risk stages) provided for by IFRS 9.

The model of impairment (provisioning) for credit risk comprises:
- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee...), the entity shall recognize expected credit losses over a time horizon of 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, Crédit Agricole Italia shall recognize the losses expected up to maturity;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, Crédit Agricole Italia shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, and then in stage 1 where the quality of credit risk further improves.

Impairment losses are recognized in the income statement under item “130. Net losses/recoveries for credit risk”.

The original value of the financial assets is written back in following financial years if the exposure credit quality improves vs. the one that entailed the previous write-down. Writebacks for impairment recoveries are recognized in the Income Statement under the same item and the value of the loan after the writeback shall not in any event exceed the amortized cost that the asset would have had if the prior adjustment had not been made.

For non-performing exposures, accrued interests recognized in the Income Statement under item “10. Interest and similar income” is calculated based on amortized cost. The same item reports interest income due to the passage of time, calculated within the measurement of non-performing financial assets based on the original effective interest rate.

A specific item in the income statement reports interest income calculated with the effective interest method in accordance with Bank of Italy Circular 262.

DERECOGNITION

Financial assets are derecognized if one of the following cases occurs:

- Contractual rights to the cash flows from the assets have expired;
- The financial asset is sold with substantial transfer of all risks and rewards resulting from its ownership.
  Financial assets are derecognized only if their sale has substantially transferred all the risks and rewards associated with ownership of the same assets. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if the relevant legal title has been transferred. In case of substantial modifications to the contract (i.e. modifications that affect the characteristics and/or the cash flows of the financial instrument), the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

  Where it is not possible to ascertain whether all the risks and rewards of ownership have been substantially transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if the company retains even a portion of control, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in value of the assets transferred and to changes in the related cash flows.
- Financial assets are written off where their recovery can no longer be reasonably expected, including in case of waivers of the rights to the asset;
- The entity retains the contractual right to receive the cash flows from the assets, but it concomitantly undertakes the contractual obligation to pay such flows to a third party (pass-through arrangements);
- The contract undergoes modifications that qualify as “substantial”. In case of substantial modifications to the contract (i.e. modifications affecting the characteristics and/or cash flows of the financial instrument), the instrument affected by such modifications shall be derecognized and a new financial asset shall be recognized based on the new contractual clauses, both where the renegotiation is formalized with the signing of a new contract and where it is executed by modifying an existing contract.

4. Hedging

TYPES OF HEDGES

In compliance with the decision made by the Crédit Agricole Italia Banking Group, Crédit Agricole Italia has not applied the “hedge accounting” section of IFRS 9, exercising the option given by IFRS9 itself. All hedges have continued to be reported in accordance with IAS 39, up to the date of application of the supplement on fair value macro hedging (after its endorsement by the European Union). However, the eligibility of financial instruments for hedge accounting in accordance with IAS 39 takes into account the bases of classification and measurement of financial instruments pursuant to IFRS 9.

CLASSIFICATION

The “Hedging Derivatives” asset and liability items report financial derivatives held for hedging, which, as at the reporting date, have positive or negative fair values, respectively.

Hedging transactions are used to neutralize potential losses occurring on a given item or group of items attributable to a given risk where the risk event should occur.

The following types of hedges are used:

- Fair value hedges: these are used to hedge exposures to changes in the fair value (attributable to the different types of risk) of assets and liabilities or portions thereof, groups of assets and liabilities, irrevocable commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39, which was endorsed by the European Commission;

- Cash flow hedges: these are used to hedge exposures to changes in future cash flows caused by certain risks associated with financial statement items. This type of hedge is essentially used to stabilize interest cash flows from variable-rate funding to the extent it concerns fixed-rate loans. In some cases, similar hedges are used for some types of variable-rate loans;
- Hedge of an investment in a foreign currency: it is used to hedge risks of an investment in a foreign operation expressed in a foreign currency.

RECOGNITION

Hedging derivatives, like all derivatives, are initially recognized at subscription date and later measured at fair value.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Hedging derivatives are measured at fair value. Specifically:

- In case of fair value hedging, changes in the fair value of the hedged item are offset against changes in the fair value of the hedging instrument. This offsetting is recognized in the Income Statement under item "90. Net profit (loss) on hedging activities" by reporting value changes regarding both the hedged item and the hedging instrument. Any difference that may arise, since it represents the partial ineffectiveness of the hedge, also represents its net effect on the Income Statement.
- Cash flow hedges: these are used to hedge exposures to changes in future cash flows caused by certain risks associated with financial statement items. This type of hedge is essentially used to stabilize interest cash flows from variable-rate funding to the extent it concerns fixed-rate loans. In some cases, similar hedges are used for some types of variable-rate loans. Changes in the fair value of the derivative are recognizes in equity (item "110. Valuation reserves"), for the effective portion of the hedge, and are recognized through profit or loss only when the cash flow change to be offset occurs regarding the hedged item;
- Hedge of an investment in a foreign currency: it is used to hedge risks of an investment in a foreign operation expressed in a foreign currency and it is recognized as cash flow hedges are.

The derivative instrument is classified as held for hedging where there is formal documentation of the relationship between the hedged item and the hedging instrument and where it is effective at inception and throughout its life.

The effectiveness of the hedge depends on the degree to which changes in fair value of the hedged instrument or the relative expected cash flows are offset by changes in that of the hedging instrument. Accordingly, the hedge effectiveness is gauged by comparing the above-mentioned changes, taking into account the intention of the company at the inception of the hedge.

Hedging is deemed effective when changes in the fair value (or the cash flows) of the hedging instrument almost entirely – i.e. within an interval of between 80% and 125% – offset changes in the value of the hedged item for the hedged risk factor.

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

- Prospective tests, which justify the application of hedge accounting, since they demonstrate the expected effectiveness of the hedge;
- Retrospective tests, which show the degree of effectiveness of the hedge achieved during the reference period. In other words, they measure how actual results deviate from the perfect hedge.

Any hedge ineffectiveness caused by economic circumstances that are expected to return to normal as confirmed by prospective tests is not taken into account.

Termination of the hedging relationship

If the hedge effectiveness is not proved by the verifications and tests carried out, from that time on hedge accounting, as described above, shall be terminated, the derivative contract shall be reclassified to "Financial assets measured at fair value through profit or loss" and, specifically, to "Financial assets held for trading".

In case of fair value hedges, the hedged item is measured with the original measurement approach of the category it belongs to; for instruments measured at amortized cost, any cumulative recoveries/losses recognized subsequent to the fair value change of the hedged risk are recognized in the Income Statement under interest income and interest expense throughout the residual life of the hedged item, based on the effective interest rate. If the hedged item is sold or repaid, the fair value portion that has not yet been amortized shall be immediately recognized in the Income Statement.

Hedging of portfolios of assets and liabilities

The hedging of portfolios of assets and liabilities (“macrohedging”) and its consistent recognition can be done after:

- Identifying the portfolio to be hedged and breaking it down by maturity;
- Designating the item to be hedged;
- Identifying the interest rate risk to be hedged;
- Designating the hedging instruments;
- Determining effectiveness.

The portfolio hedged against interest rate risk may contain both assets and liabilities. This portfolio is broken down by maturity in terms of collection or repricing of the interest rate, after analyzing the cash flow structure. Fair value changes occurred in the hedged item are recognized in the Income Statement under item “90 Net profit (loss) on hedging activities” and in the Balance Sheet under item “50. Fair value change of financial assets in macro-hedge portfolios” or under item “50. Fair value change of financial liabilities in macro-hedge portfolios”. Fair value changes occurred in the hedged item are recognized in the Income Statement under item “90. Net profit (loss) on hedging activities” and in the Balance Sheet under asset item “50. Hedging Derivatives” or under liability item “40. Hedging derivatives”.

In case of early termination of fair value macrohedging, the cumulative recoveries/losses are recognized in the Income Statement under interest income or interest expense throughout the residual duration of the original hedging relationships, granted that it is verified that the related requirements are met.

5. Equity investments

CLASSIFICATION

This item reports equity investments held in associates and joint arrangements, as well as minority interests in subsidiaries and associates belonging to the Crédit Agricole Italia Banking Group.

Joint arrangements are companies in which the voting rights and the control of its business activities are shared equally, directly or indirectly, between the Company and another party. Joint arrangements also include equity investments in which, despite the lack of equal voting rights, control over the business activities and the strategic policies of the investee company is shared with other parties under contractual agreements.

Associates are companies in which the Group exercises a significant influence, holding, directly or indirectly, at least 20% of the voting rights (including “potential” voting rights that may be exercised) or having the power to participate in determining its financial and management policies, despite holding less than 20% of the voting rights, owing to specific legal ties, such as being party to a shareholders’ agreement.

RECOGNITION

These financial assets are initially recognized at the settlement date. At initial recognition, these financial assets are recognized at cost, including any goodwill paid upon acquisition which, therefore, is not separately recognized.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Equity investments are measured at cost, where the case written down for impairment.

Where there is evidence that the value of an equity investment may be impaired, its recoverable value is determined, taking into account the present value of future cash flows that the shareholding could generate, including its value upon disposal.

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

If the reasons for the impairment are removed subsequent to an event occurred after the impairment loss recognition, a writeback is taken to the Income Statement

DERECOGNITION

Equity investments are derecognized in case of any sale that transfers essentially all rights and rewards associated with their ownership.

In case significant influence or joint control can no longer be exercised, any residual investment shall be reclassified to the portfolios of financial assets in accordance with IFRS 9.

6. Property, Plant and Equipment

CLASSIFICATION

"Property, plant and equipment" includes land, operating property, investment property, technical plants, furniture, furnishings and equipment of any type, works of art and property, plant and equipment inventories governed by IAS 2.

These assets are held to be used in production or supply of goods and services (property, plant and equipment used in operations in accordance with IAS 16), to be rented out to third parties or for investment purposes (investment property governed by IAS 40) and are intended to be used for longer than one period.

This item also reports the rights-of-use of property, plant and equipment assets acquired with lease contracts in which the Bank is the lessee, irrespective of their specific legal form.

RECOGNITION

"Property, plant and equipment" assets are initially recognized at cost, which includes, in addition to the purchase cost, all costs directly attributable to purchasing and placing the asset in service. Extraordinary maintenance expenses that increase the future economic benefits generated by such assets are recognized as an increase in the value of the assets, while ordinary maintenance costs are recognized in the Income Statement.

The initial measurement of the right-of-use asset includes the present value of future lease payments, the lease payments made on or before the lease contract effective date, initial direct costs and any estimated costs for dismantling, removal or restoration of the lease underlying asset, less any lease incentives received by the lessee.

As pointed out in the paragraphs below, the lessee may apply also IAS 40 to measure the Right-of-Use asset.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Property, plant and equipment assets, including investment property and right-of-use assets, are measured at cost less depreciation and impairment.

These assets are systematically depreciated over their useful life on a straight-line basis, as reported in the table below:

Description	Duration
Land	No depreciation
Operating property	33 years (1)
Other investment property	
Other	33 years (1)
High-end property and property inventories (IAS2)	No depreciation
Furniture, fittings, alarm systems and vehicles	From 4 to 10 years
Computers and electronic equipment	From 3 to 10 years
Works of art	No depreciation

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

Lease right-of-use assets are depreciated on a straight-line basis overt the lease term as determined in accordance with the IFRS 16 policy of the Crédit Agricole Italia Banking Group.

Properties are depreciated at a rate based on a useful life deemed fit to appropriately represent the deterioration of the assets over time due to use, taking into account any extraordinary maintenance costs, which increase the value of the asset, and ordinary maintenance costs, which maintain the value of the assets for longer periods of time. However, the assets' remaining useful life is verified on a regular basis.

The depreciation cost for property, plant and equipment is recognized in the Income Statement in item "180 Net adjustments of/recoveries on property, plant and equipment".

The following assets are not depreciated:

- Land, whether acquired separately or incorporated in the value of the building, since it has an indefinite useful life. Where its value is incorporated in the value of the building, under the components approach, the land is considered separable from the building. The division between the value of the land and the value of the building is based on appraisals by independent experts, for buildings entirely owned by the and, therefore, fully available to the Company, including the land;
- High-end property;
- Property, plant and equipment inventories governed by IAS 2 and measured at the lower between cost and fair value;
- Works of art, since their useful life cannot be estimated and their value normally increases over time.

If there is evidence of impairment of the asset, the asset's carrying value is compared with its recoverable value. For more exhaustive reporting, please refer to paragraph "16 Other Information – Method to calculate impairment losses – Other non-financial assets".

Any adjustments are recognized in the Income statement under item "180 Net adjustments of/recoveries on property, plant and equipment".

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

DERECOGNITION

Property, plant and equipment items are derecognized when disposed of or when the asset is permanently withdrawn from use and no future benefits are expected from its disposal.

7. Intangible Assets

CLASSIFICATION

Intangible assets are non-monetary assets that are identifiable and not physical, stem from legal or contractual rights, are held to be used for several years and are expected to generate future economic benefits. The main types of intangible assets are:

- Software acquired from external sources or with licence for use;
- In-house developed software;
- Residual goodwill recognized as the difference between purchase cost and the fair value of the assets and liabilities acquired and contingent assets and liabilities recognized upon acquisition in accordance with the IFRS 3 determination criteria;
- The intangibles representing business with Customers are recognized subsequent to the adoption of IFRS 3.

RECOGNITION AND MEASUREMENT

Separately acquired and internally generated intangible assets are initially recognized at cost adjusted by any ancillary expenses, only if the economic benefits from the asset are likely to be generated and if its cost can be reliably determined. Otherwise, the intangible asset cost is recognized in the Income Statement for the period in which it is borne. Intangible assets acquired through business combinations are recognized at fair value as at the acquisition date.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, intangible assets are recognized net of the accumulated amortization and of any cumulative impairment losses. Intangible assets' useful life is assessed as finite or indefinite.

Intangible assets with finite useful life are amortized over their useful life and are tested for impairment every time signals of possible impairment are detected. The amortization period and approach for intangible assets with finite useful life are reassessed at least at the end of every year. Changes in the expected useful life or in the modalities with which the future economic benefits linked to the assets will be received are recognized through the change of the period or amortization approach, as the case may be, and are considered as accounting estimate changes. The amortization cost for intangible assets with finite useful life is recognized in the Income Statement in item "190 Net adjustments of/recoveries on intangible assets".

Generally, software useful life is estimated as being five years. In compliance with IAS 38 paragraph 104, some large projects have been specifically identified and their useful life has been measured as being ten years.

Intangible assets with indefinite useful life, including goodwill are not amortized, but are tested for impairment annually, both at individual level and at level of cash-generating unit.

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

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

DERECOGNITION

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

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

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

“Non-current assets held for sale and discontinued operations” and “Liabilities in respect of assets held for sale” report non-current assets or groups of assets/liabilities which are in the process of being divested and for which a sale is considered highly probable. In case of transactions subject to authorization to be issued by Supervisory Authorities, the Crédit Agricole Italia Banking Group’s accounting policy, since it attaches an essential value to such authorization, provides for “Non-current Assets/Liabilities and discontinued operations” to be recognized as from the date of receipt of the such authorization (whether express or tacit).

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

9. Current and Deferred Taxes

RECOGNITION, CLASSIFICATION AND MEASUREMENT

These items report current and deferred tax assets and current and deferred tax liabilities, respectively, as regards income taxes.

Income taxes, calculated in accordance with the Italian tax legislation, are recognized on an accrual basis, consistently with the recognition of the costs and revenues generating them. Therefore, they represent the expense, equal to the balance of current and deferred tax assets and current and deferred tax liabilities, for taxes on income for the period. Income taxes are recognized in the Income Statement, except for those related to items debited or credited directly in equity, for which the related taxes are recognized, for consistency purposes, in equity.

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

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

In March 2016, the national tax consolidation scheme was adopted, with effects since the 2015 tax period, by the Crédit Agricole Group in Italy; such scheme was introduced with Article 6 of Italian Legislative Decree No. 147 of 14 September 2015, according to which also the Italian “sister” companies, whose controlling Company is resident in a EU Member State, may exercise the option for consolidated taxation.

This regime provides for the consolidated Companies to transfer their taxable income (or their tax loss) to the Consolidating Entity Crédit Agricole Italia, which calculates a single taxable income or a single tax loss of the Crédit Agricole Italia Banking Group for the Italian corporate income tax (IRES), as the algebraic sum of the income and/or losses of the single Companies, and recognizes a single tax account payable to or receivable from the Italian Inland revenue Service.

In the consolidating entity’s financial statements, the intra-group balances resulting from the tax consolidation scheme are reported under the “Financial assets measured at amortized cost – due from banks” item for the provisions for Corporate Income Tax (IRES) allocated by the scheme member entities net of withholdings due and down-payments made (in the “Financial liabilities measured at amortized cost – due to banks” item if the down-payments made are higher than the provisions). In the same financial statement items, the tax consolidation scheme member entities recognize the receivable or payable balances resulting from their respective taxable income contributions to the consolidating entity.

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

Deferred tax assets, with regard to deductible temporary differences or future tax benefits that can be gained by carrying forward tax losses, are recognized to the extent their recovery is deemed likely.

Deferred tax liabilities are recognized for all taxable temporary differences, except for the reserves subject to tax deferral arrangements, since the amount of available reserves already subject to taxation makes it likely that no taxable operations will be carried out.

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

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

10. Provisions for risks and charges

Allocations to provisions for risks and charges are made when:

- A present obligation (legal or implicit) exists resulting from a past event;
- It is likely that resources will have to be used in order to generate the economic benefits necessary to fulfil the obligation;
- The obligation amount can be reliably estimated.

Where the time factor is significant, provisions are discounted. The allocation to provision is recognized in the Income Statement, which also reports interest expense accrued on provisions that have been discounted.

POST-EMPLOYMENT BENEFITS

The company pension plans, created pursuant to corporate agreements, qualify as "defined-benefit plans".

The liabilities referring to these plans and the relating social security costs for employees currently on staff are determined based on actuarial assumptions by applying the Projected Unit Credit (PUC) method. Under this method, future outlays are projected based on analyses of time series and the demographic curve and the discounting of these cash flows using market interest rates, as set forth in the relevant tables in the Note to the Financial Statements.

Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

Actuarial profits and losses, defined as the difference between the liability book value and the present value of the commitments as at the reporting date, are fully recognized directly in equity, under the item "Valuation reserves".

PROVISIONS FOR RISKS AND CHARGES REGARDING COMMITMENTS AND GUARANTEES GIVEN

This sub-item of the "provisions for risks and charges" item reports credit risk allowances recognized for commitment to disburse funds and for guarantees given within the scope of application of the impairment rules pursuant to IFRS 9. In principle, for these cases, the same methods apply for the allocation to the three credit risk stages and for the calculation of the expected loss as reported with regard to financial assets measured at amortized cost or at fair value through other comprehensive income.

OTHER PROVISIONS

Other provisions for risks and charges include provisioning for legal or other obligations associated with employment relationships or disputes, including tax disputes, resulting from a past event for which a cash outflow to settle the obligation is likely, granted that its amount can be reliably estimated.

Where the time factor is significant, provisions are discounted using current market rates. The amount allocated to provision is recognized in the Income Statement under item "170. Net provisions for risks and charges" and reports the increases in the provisions due to the passage of time.

This item also reports long-term employee benefits, the liabilities for which are determined using the same actuarial assumptions described for post-employment benefits. Actuarial gains and losses are immediately recognized in full in the Income Statement.

11. Financial liabilities measured at amortized cost

CLASSIFICATION

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

This item also reports lease liabilities recognized by the entity as the lessee.

RECOGNITION

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

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

Repurchase agreements or reverse repurchase agreements are recognized as funding or lending transactions. Specifically, repurchase agreements are recognized as due and payables for the spot amount received, whereas reverse repurchase agreements are recognized as loans and receivables for the spot amount paid.

Lease liabilities are recognized based on the present value of future lease payments still to be made as at the lease contract effective date in accordance with IFRS 16.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Following initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method. The result of this method is recognized in the Income Statement under item "20 Interest and similar expenses".

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

After the lease contract effective date, the lessee shall redetermine its lease liabilities in order to take account of the changes to lease payments; the amount of the redetermined lease liabilities shall be recognized as an adjustment of the right-of-use assets.

DERECOGNITION

Financial liabilities are derecognised when they mature or are settled. Liabilities are also derecognized when previously issued securities are repurchased.

The difference between the liability book value and the amount paid to purchase such liability is recognized in the Income Statement under item 100 "Net profit (loss) on sale or repurchase of financial liabilities".

The subsequent placement of repurchased securities on the market is treated as a new issue and is recognized at the new placement price, with no effect through profit or loss.

12. Financial liabilities held for trading

RECOGNITION

These financial instruments are recognized, at the date of subscription or at the date of issue, at cost, which is equal to the instrument fair value, without taking into account any directly attributable transaction costs or income.

This item also reports the negative value of derivative contracts held for trading, as well as the negative value of derivatives that are embedded in complex contracts but that are not strictly connected to such contracts.

It also includes liabilities originating from technical overdrafts generated by securities trading.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

All liabilities held for trading are measured at fair value through profit or loss.

For more information on fair value measurement, please refer to paragraph 16 “Other Information – Fair Value Measurement” and to “Part A.4 – Fair value reporting”.

Profits and losses on trading and any capital gains and losses on measurement of the trading book are recognized in the Income Statement under item “80. Net profit (loss) on trading activities”.

DERECOGNITION

Financial liabilities held for trading are derecognized when the contractual rights to the relevant cash flows expire or when the financial liability is sold with substantial transfer of all risks and rewards of ownership.

13. Financial liabilities designated at fair value

Crédit Agricole Italia has not decided to exercise the fair value option for financial liabilities.

CLASSIFICATION

Financial liabilities are designated at fair value if one of the following conditions is met:
- This classification allows to eliminate or significantly reduce any “accounting mismatching”;
- They belong to groups of liabilities that are managed and their performance is measured based on fair value, in accordance with an appropriately documented risk management strategy.

RECOGNITION

They are initially recognized at fair value, without taking into account any transaction income or costs.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

These liabilities are recognized at fair value with the related effects recognized in accordance with the following rules laid down by IFRS 9:
- Any fair value changes attributable to changes in the entity’s credit rating shall be recognized in a specific valuation reserve (item “110. Valuation reserve”) net of the related tax effect in the Statement of Comprehensive Income (Equity);

- Any other fair value changes shall be recognized in the Income Statement under item “110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss”.

For more information on fair value measurement, please refer to paragraph 16 “Other Information – Fair Value Measurement” and to “Part A.4 – Fair value reporting”.

The amounts recognized in the Statement of Comprehensive Income shall not be later recycled through profit or loss, including when the liability has expired or has been settled; in this case, the accumulated Profit (Loss) shall be reclassified to the specific valuation reserve under another Equity item (item “140. Reserves”). This recognition approach shall not be applied if the recognition of the effects of the entity’s credit rating in Equity determines or increases any accounting mismatch in the Income Statement. In this case, profits or losses associated with the liability, including those resulting from any changes in the entity’s credit rating, shall be recognized through profit or loss.

After initial recognition, these financial liabilities are measured at fair value.

To measure the fair value of financial instruments that are quoted in an active market, market prices are used.

Where there is no active market, fair value is measured using generally accepted estimation methods and measurement models that are based on information available on the market, such as: methods based on the price of listed instruments with similar features, discounted cash flows, option pricing models and values reported for recent comparable transactions.

DERECOGNITION

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

14. Foreign currency transactions

RECOGNITION

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

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

At each annual and interim financial reporting date, foreign currency items are measured as follows:
- Monetary items are translated at the exchange rate in force as at the reporting date;
- Non-monetary items measured at historical cost are translated at the exchange rate in force as at the transaction date;
- Non-monetary items measured at fair value are translated at the exchange rate in force as at the reporting date.

Exchange rate differences resulting from the settlement of monetary items or from the translation of monetary items at exchange rates other than the initial translation rate, or the translation of previous Financial Statements, are recognized in the Income Statement for the period in which they emerge.

When gains or losses relating to a non-monetary item are recognized in equity, the exchange rate difference for the item is also recognized in equity.

Conversely, when a profit or a loss is recognized in the Income Statement, the related exchange rate difference is also recognized in the Income Statement.

15. Insurance Assets and Liabilities

The Financial Statements of Crédit Agricole Italia do not report any assets or liabilities bearing insurance risks.

16. Other Information

ADJUSTMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES IN MACRO-HEDGE PORTFOLIOS

These items report changes in the fair value of financial assets and liabilities macro-hedged against interest rate risk, based on their respective balances, either positive or negative. The recognition of hedges is reported in point 4 "Hedging" of this section.

LEASES

IFRS 16 "Leases" requires entities to determine whether a contract is (or contains) a lease, based on the right to control the use of an identified asset for a given period of time; therefore, rental, hire, lease or loan agreements are in the scope of application of the new standard.

Leases in which Crédit Agricole Italia is the lessee

IFRS 16 provides for a single lessee accounting model, requiring lessees to apply it to both operating and finance leases, with a "Rights-of-use" approach (hereinafter "right of use" or "RoU").

Therefore, for all leases in which it is the lessee, the reporting entity shall recognize the items listed below in its balance sheet:
- Future lease payments, which shall be recognized under financial liabilities as Lease Liability, which reports the obligation to make future payments and is discounted at the incremental borrowing rate (the liability decreases in accordance with payments made and increases by the amount of accrued interest due);
- The right of use, as expressed in the contracts, which shall be recognized as a lease asset reporting its value in a separate row in the Balance Sheet, under Property, plant and equipment (RoU Asset) to be calculated as the sum of the lease liability, the initial direct costs, any payments made on or before the contract effective date (net of any lease incentives received) and of dismantling and restoration costs.

The recognized costs are:
- The expenses for depreciation of right of use asset over the lease term of validity on a straight-line basis (impact on income from operations);
- Interest expenses accrued on the financial liability (impact on financial expenses and on financial income).

The minimum disclosure requirements for the lessee include:
- The subdivision of underlying assets into "classes";
- Breakdown by maturity of lease liabilities;
- Information potentially useful to better understand the lessee's business with reference to the lease contracts (e.g. early repayment or extension options).

In determining the scope of application of the new standard, the Group exercised the options for the following recognition exemptions pursuant to the standard:
- Short-term lease exemption (i.e. leases with term of less than 12 months);
- Low-value leases (leases with the underlying asset worth less than Euro 5 thousand).

Furthermore, it is specified that, based on the IFRS 16 requirements and the clarifications given by IFRIC (document "Cloud Computing Arrangements" of September 2018), software shall not fall in the IFRS 16 scope; therefore, all software shall be recognized in accordance with IAS 38 and the related requirements.

Leases in which Crédit Agricole Italia is the lessor

For lessors, IFRS 16 retains the distinction between operating leases and finance leases in accordance with IAS 17. Leases are considered finance leases if they transfer all risks and rewards of ownership; otherwise, leases are classified as operating leases.

For finance lease contracts entered into by Crédit Agricole Italia as the lessor, the leased assets are recognized as receivables in the Balance Sheet with a value equal to the lease net investment, while interest income (financial components of lease fees) is recognized in the Income Statement, and the fee part representing principal repayment reduces the receivable value.

For operating leases, the lease payments accrued are recognized under the “Other income” item.

INSURANCE ASSETS AND LIABILITIES

The Financial Statements of Crédit Agricole Italia do not report any assets or liabilities bearing insurance risks.

TREASURY SHARES

Any treasury shares held are recognized under a specific item and deducted from equity. Similarly, the original costs of treasury shares and any gains or losses resulting from their subsequent sale are recognized as changes in Equity.

OTHER ASSETS

This item reports assets that cannot be classified under other asset items in the Balance Sheet. By way of example, this item may report:

- Gold, silver and precious metals;
- Accrued income other than capitalized on the related financial assets;
- Receivables associated with the supply of non-financial goods and services;
- Tax due and payables other than those recognized under item “100. Tax assets”.

It also reports leasehold improvement, expenses other than those recognized under item “80. Property, plant and equipment”, as they cannot be separated from the assets they refer to and, therefore, cannot be used separately. It can also report any remaining assets (“debt balance”) of transit and suspended items not recognized in the relevant accounts as long as their total amount is negligible.

ACCRUALS AND DEFERRALS

Accrued income and prepaid expenses and accrued expenses and deferred income for the period on assets and liabilities are recognized as adjustments to the assets and liabilities they refer to.

LEASEHOLD IMPROVEMENT

The costs of renovating leased property are capitalized in consideration of the fact that, during the lease term, the tenant has control over and enjoys the future economic benefits of the assets. These costs are recognized under “Other Assets”, pursuant to the aforementioned Bank of Italy Circular No. 262/2005, are amortized for a period that is not longer than the remaining lease term.

The balancing item in the Income Statement of the above provisions is recognized under “Other operating expenses”.

EMPLOYEE SEVERANCE BENEFITS

Until 31 December 2006, the employee severance benefits of Italian companies were considered defined-benefit plans. The regulation of these benefits was amended by Italian Law No. 296 of 27 December 2006 (Italy's "2007 Finance Act") and subsequent Decrees and Regulations issued in the first months of 2007. In the light of such amendments, this item is now to be considered a defined-benefit plan exclusively for the portions accrued before 1 January 2007 (and not yet settled as at the reporting date), whereas, after such date, it is treated as a defined-contribution plan.

Therefore, with reference to the defined-benefit plan component the benefit cost is calculated separately for each plan using the actuarial unitary credit projection method. Under this method, future outlays are projected based on an analysis of time series and the demographic curve, and the discounting of these cash flows using a market interest rate. Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

The expenses for the plan are recognized under personnel expenses, include interests accrued, while employees' severance benefits accrued in the year, following the supplementary pension scheme reform introduced with the 2007 Financial Act, are entirely allocated to the "defined-contribution plan".

Actuarial gains and losses, including revaluation of the portions accrued in the previous years, based on the reference ISTAT (Italian National Institute of Statistics) index, are taken to a specific equity reserve, starting from 2010.

Based on the employees' choice, the amounts are allocated to supplementary pension schemes or to the Treasury fund managed by INPS (Italian Social Security Institute). The portions allocated to the defined-contribution plan are calculated based on the contributions due for each year without applying actuarial calculation methods.

SHARE-BASED PAYMENT

Share-based remuneration plans for staff are recognized in the Income Statement, with a corresponding increase in Equity, based on the fair value of the financial instruments allotted as at the awarding date, spreading the expense over period covered by the plan.

The fair value of any options is calculated using a model that takes into account information such as the exercise price and term of the option, the current price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the plan specific features The measurement model separately measures the options and the probability that the conditions for granting the options will be achieved.

Any reduction in the number of financial instruments awarded is reported as derecognition of a portion of such instruments.

REVENUE RECOGNITION

Revenues are recognised when realized or when it is probable that future benefits will be received and these future benefits can be reliably determined. Specifically:

- interest revenues are recognized on an accrual basis, using the contractual interest rate or the effective interest rate where the amortized cost method is applied;
- Default interest, if any is contractually provided for, is recognized in the Income Statement only upon collection;
- Dividends are recognized in the income statement when their distribution is authorized;
- Fee and commission income for revenues from services is recognized, where the relevant agreements exist, in compliance with IFRS 15 (fee and commission income considered in the amortized cost for determining the effective interest rate are recognized under interest income);
- Revenues from intermediation of financial instruments held for trading, calculated as the difference between the transaction price and the instrument fair value, are recognized in the Income Statement when the transaction is recognized, if the fair value can be determined with reference to parameters or transactions recently observed in the same market in which the instrument is traded.

If these values cannot be easily detected or the instrument is not highly liquid, the financial instrument is recognized at a value equal to the transaction price, less the business profit; the difference with the fair value is recognized in the Income Statement over the transaction duration with progressive reduction, in the measurement model, of the correction factor relating to the instrument's low liquidity.

REVENUES FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

Fee and commission revenues and expenses are recognised in the Income Statement based on the nature of services they refer to.

Fees and commissions that are an integral part of the financial instrument yield are recognised as an adjustment to the return on the instrument and included in its effective interest rate.

The recognition of other types of fees and commissions in the income statement shall reflect the time of transfer to the customer of control of the goods or services sold.

The net income from a transaction associated with the provision of services is recognised under Fee and commission income at the time of transfer of control of the service to the customer, if this can be reliably estimated. This transfer may occur as the service is provided (ongoing service) or on a specific date (one-off service).

a) Fee and commission income from ongoing services (fees and commissions on payment instruments, for example) shall be recognised through profit or loss according to the degree of progress of the service provided.
b) Fees and commissions collected or paid as consideration for one-off services shall be fully recognized through profit or loss when the service is provided.

Fees and commissions to be paid or collected, or not yet earned, shall be progressively recognized as the performance obligation is satisfied over time. These estimates shall be updated at every reporting date. In practice, this condition can result in the deferred recognition of certain items of performance-related fee and commission income until such income has been definitively acquired.

CONTRIBUTIONS TO THE SINGLE RESOLUTION FUND

The Bank Recovery and Resolution Directive (BRRD – 2014/59/EU) lays down the new resolution rules applying since 1 January 2015 to all the banks within the European Union.

Effective from 1 January 2015, the relevant measures shall be financed by the National Resolution Fund, which, on 1 January 2016, was merged into the Single Resolution Fund (SRF), managed by the European Single Resolution Board (SRB).

The Single Resolution Fund shall reach a target level of financial resources by 31 December 2023 through the payment of a yearly ex-ante contribution, which, normally, pursuant to the Delegated Regulation of the European Commission No. 81/2015, may be paid also with irrevocable payment commitments (IPC). For 2019, credit institutions were allowed to use such commitments as to 15% of total contributions, as in the three previous years. To secure full payment of the total contributions, intermediaries are required to give eligible assets as collateral, which, for the four years in question, may consist only of cash.

In 2019, the Bank of Italy, in its capacity as the Resolution Authority, provided the Italian Banks that are subject to the above regulation with a communication setting forth the ordinary contribution due for the 2019 financial year, calculated pursuant to Delegated Regulations of the European Commission No. 2015/2015 and 2015/2015. This contribution was determined by the Single Resolution Board in cooperation with the Bank of Italy.

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

The ex-ante ordinary contribution to the Single Resolution Fund, net of IPCs, to be paid by Crédit Agricole Italia for 2019 amounts to Euro 13.2 million.

Moreover, in June 2019, the Bank of Italy requested additional contributions to the Italian National Resolution Fund in order to handle further financial needs. This contribution paid by Crédit Agricole Italia amounted to Euro 5.7 million.

These contributions are recognized in the Income Statement under “Other administrative expenses”.

CONTRIBUTIONS TO THE DEPOSIT GUARANTEE SCHEME

The Deposit Guarantee Scheme Directive – 2014/49/EU (DGSD) laid down an harmonized regulatory framework applying throughout the European Union on deposit guarantee schemes.

The Deposit Guarantee Scheme provides a coverage of Euro 100,000 per depositor. In Italy, it is managed by the Interbank Deposit Protection Fund.

The Scheme requires member banks to give an ex-ante contribution, which is intended to achieve the financial target level, i.e. 0.8% of the amount of the covered deposits of all authorized credit institutions in all Member States, by 3 July 2024.

If the Scheme does not have the resources to intervene where needed, an extraordinary contribution (ex-post) may be requested.

The contribution paid by Crédit Agricole Italia for 2019 amounted to Euro 19.8 million.

These contributions are recognized in the Income Statement under “Other administrative expenses”.

BUSINESS COMBINATIONS

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

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

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

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

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

Indeed, IASs/IFRSs provide specific guidelines to be followed for any transactions that are not within the IFRS scope of applications, which are described in paragraphs 1012 of IAS 8 and require the Management to consider also the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards.

IFRS 3 gives limited accounting guidelines regarding transactions under common control, previously described in the Accounting Principles Board (APB) Opinion. This method (“pooling of interest”) requires, for these transactions, assets and liabilities to be recognized at the historical values (book valued) of the combined entities, rather than at their respective fair values without recognizing goodwill.

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

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

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

FAIR VALUE MEASUREMENT

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price) on the main (or more advantageous) market, irrespective of whether this price can be directly observed or is estimated using a valuation technique. Fair value applies to every financial asset or liability on an individual basis. As an exception, it can be estimated at a portfolio level, if the strategy for risk management and monitoring allows it and if appropriate documentation is provided. However, certain fair value parameters are calculated on a net basis, when a group of financial assets and financial liabilities is managed based on its net exposure to market or credit risks. This is the case for calculation of Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA) for derivatives.

More exhaustive reporting on these parameters is given in Part A.4 of the Note to the Financial Statements.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

For financial instruments, fair value is determined using prices from financial markets in the case of financial instruments listed in active markets, or using internal measurement models for other financial instruments.

A market is considered active if quoted prices, representing actual and regular market transactions occurring during an appropriate reference period, are readily and regularly available from sources such as stock exchanges, stockbrokers, intermediaries, industry companies, pricing services or authorized bodies. Collective investment schemes (EFT), spot exchange transactions, futures, options and equity securities listed on a regulated market are considered as traded on a regulated market. Bonds for which at least two executable prices can be detected on a quotation service with a bid-asking spread that is less than an interval deemed consistent are also considered as traded in an active market. Otherwise, all securities, derivatives and hedge funds that do not belong to the above categories are not considered as traded on an active market.

For financial instruments traded on active markets, the price is used which is defined as "official", as at the closure of the reference period.

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

Where there is no active, liquid market, the fair value of financial instruments is defined mainly by using standard measurement techniques designed to establish what the transaction price would have been on the measurement date in an arm's length trade carried out for normal market reasons. In incorporating all the factors that operators would consider in setting the price, development of the valuation models takes into account the time value of money at the risk-free rate, the volatility of the financial instrument, as well as, where applicable, exchange rates, commodity prices and stock prices.

With finance products for which the fair value determined with measurement techniques cannot guarantee a sufficient degree of reliability, the value is prudentially calculated as the fair value at the reference date communicated by the parties with which the transactions were signed.

The measurement method chosen for a financial instrument is applied consistently over time and may only be altered if significant changes in market conditions or the subjective condition of the issuer of the financial instrument occur.

For bonds and derivative contracts, globally accepted valuation models have been set, which refer to market parameters, to the time value of money and to risk-free rates.

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

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

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

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

For financial instruments held for sale and for those assets and liabilities recognized at cost or amortized cost, the fair value for reporting purposes or given as disclosure in the Note to the Financial Statements is calculated as follows:

- The fair values of medium/long-term assets and liabilities not quoted in active markets are primarily measured by discounting future cash flows, taking account of the riskiness of the relevant portfolio;
- The fair values of medium/long-term assets and liabilities quoted in active markets are measured using the prices obtained from financial markets;
- A good approximation of the fair value of demand or short-term assets and liabilities is their book value as initially recognized and net of collective/individual writedowns;
- The book value of non-performing loans (bad debts, unlikely to pay and past-due positions) is deemed to be a reasonable fair value approximation;
- The book value initially recognized of floating-rate and short-term fixed-rate securities is deemed a reasonable fair value approximation, due to the fact that it reflects both the change in rates and the measurement of the credit risk associated with the issuer.

An analogous approach is applied for the fair value measurement of medium-/long-term fixed-rate securities and structured securities that are hedged for interest rate risk, for which the book value determined for hedge accounting purposes already takes account of interest rate risk measurement. For the latter, in determining the fair value reported in the Note to the Financial Statements, changes in their credit spread were not taken into account, considering the same within the Group.

With regard to real estate, for which the fair value is calculated only for the purposes of disclosure in the notes to the financial statements, reference is made to a value primarily based on appraisals by independent experts, considering transactions at current prices in an active market for similar properties in the same geographical area and under the same conditions for leases and other contracts.

AMORTIZED COST MEASUREMENT

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization, calculated using the effective interest method, of any difference between the initial amount and the amount at maturity, and minus any impairment loss.

The effective interest rate is the rate that exactly discounts the future cash flows generated by the financial asset or liability to the contractual cash flow in money or received up to maturity or up the subsequent repricing date to the present value of the financial asset or liability.

To calculate the present value, the effective interest rate is applied to future cash flows or payments over the life of the financial asset or liability or for a shorter period of time under certain conditions (for example, changes in market rates).

Subsequent to initial recognition, the amortized cost method makes it possible to allocate revenues and costs decreasing or increasing the value of the instruments over their expected lifetime, through the amortization process. The determination of the amortized cost varies according to whether the financial assets/liabilities being assessed are at fixed or variable rate, and – in the latter case – according to whether the rate variability is known or not beforehand. For fixed-rate instruments, or instruments with fixed rate over specified time ranges, future cash flows are measured using the known interest rate (single or variable) over the life of the loan. For floating rate financial assets and liabilities whose variability is not known ahead of time (e.g. because it is linked to an index), cash flows are determined using the last known rate. Each time the rate is changed, the amortization schedule is recalculated, as is the effective rate of return over the entire useful life of the instruments, i.e. to maturity. Any adjustments are recognized as expense or income in the Income Statement.

Measurement at amortized cost applies to financial assets measured at amortized cost and to financial assets measured at fair value through other comprehensive income, as well as to financial liabilities measured at amortized cost.

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

Transaction costs are marginal internal or external costs or revenues that are directly attributable to the issue, acquisition or disposal of a financial instrument and that cannot be charged to the customer. These fees and commissions, which must be directly attributable to individual financial assets or liabilities, affect the original effective rate of return and cause the effective interest rate associated with the transaction to vary from the contractual interest rate. Transaction costs do not include costs and revenues that apply, indiscriminately, to more than one transaction and do not include components relating to events that could occur over the life of the financial instrument that are not certain at the time the instrument is initially prepared, such as: commissions for retrocession, no use, early repayment.

Moreover, not considered in the amortized cost calculation are the costs that the Crédit Agricole Italia Banking Group would bear independently of the transaction (for example, administrative costs, recording and communication expenses), nor those that, though specifically attributable to the transaction, fall within normal loan management practices (for example, activities associated with disbursement of the loan), as well as service fees and commissions collected for the completion of Structured Finance operations, which would however have been collected irrespectively of the subsequent financing of the transaction (such as, for example, arrangement fees and commissions).

With specific reference to loans, costs attributable to the financial instrument include commission paid to distribution channels, fees paid for advice/assistance regarding the organization and/or participation in syndicated loans and expenses borne for loans acquired by subrogation; while the revenues considered in the calculation of amortized cost are up-front commissions relating to loans granted at lower-than-market rates, fees and commissions for participation in syndicated transactions and brokerage fees linked to commissions paid by intermediation companies.

With regard to securities not measured at "fair value through profit or loss", transaction costs include fees and commissions on contracts with stockbrokers operating in Italian markets, fees and commissions paid to intermediaries operating in foreign stock and bond markets based on set fee and commission schedules. The amortized cost does not include stamp duties, as these are deemed immaterial.

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

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

Hedged financial assets and liabilities, for which changes in fair value with respect to the hedged risk are recognized in the income statement, are not measured at amortized cost. However, the financial instrument is once again measured at amortized cost where the hedge terminates. From that moment, previously recognized changes in fair value are amortized, calculating the new effective interest rate that takes account of the value of the loan adjusted for the fair value of the hedged item, up to the originally scheduled expiry of the hedge. Moreover, as previously stated in the section on measuring loans and receivables, debt and debt securities issued, the amortized cost method does not apply to short-term financial assets and liabilities since the impact of discount is negligible, and does not apply to loans without a specified maturity or loans subject to revocation.

IMPAIRMENT OF FINANCIAL ASSETS

In compliance with IFRS 9, Crédit Agricole Italia recognizes impairment with write-downs representing Expected Credit Losses (ECL) on the categories of financial assets given below:

- Financial assets recognised at amortised cost or at fair value through equity (other comprehensive income) with recycling (loans and receivables, debt securities);
- Financing commitments which are not measured at fair value through profit or loss;
- Guarantee commitments that fall within IFRS 9 scope of application and that are not measured at fair value through profit or loss;
- Loans for leases falling in the IFRS 16 scope and
- Trade receivables generated by transactions under the IFRS 15 scope of application.

The model of impairment (provisioning) for credit risk has three stages:

- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee...), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, Crédit Agricole Italia shall recognize the losses expected up to maturity;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, Crédit Agricole Italia shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, and then in stage 1 where the quality of credit risk further improves.

Expected Credit Loss (ECL) is the weighted expected value of the discounted credit loss (principal and interest).

To define the IFRS 9 parameters required to calculate ECL, Crédit Agricole Italia, like the Crédit Agricole Italia Banking Group, has primarily relied on its internal rating system and on the other regulatory processes already implemented. Credit risk is assessed using a forward-looking expected loss model and extrapolation based on reasonable future scenarios. All information that is available, pertinent, reasonable and justifiable, including forward-looking information, shall be taken into account.

Therefore, in compliance with the requirements laid down by the standard, in order to estimate parameters, a set of forward-looking scenarios is used, each one of which is weighted by the related probability of occurrence.

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

ECLs are calculated according to the type of product concerned, i.e. financial instruments or off-balance sheet instruments.

Within the review of its impairment model for the non-performing portfolio, already essentially based on the discounting of future recovery flows in accordance with IAS 39, the further requirement of IFRS 9 to estimate a multi-scenario and forward-looking ECL was complied with combining the scenario pursuant to IAS 39 (internal recovery) with an alternative recovery scenario consisting in the sale of the single non-performing exposure on the market.

Expected credit losses are discounted at the Effective Internal Rate (EIR) determined upon initial recognition of the financial instrument.

OTHER NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets with a finite useful life undergo impairment testing if there is evidence that the book value of the asset can no longer be recovered.

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

If the book value of an asset is higher than its recoverable value, that asset is impaired and consequently written down to the recoverable value.

The recoverable value is determined with reference to the fair value of the asset, excluding disposal costs, or value in use, if calculable and higher than the fair value.

The fair value of property is mainly determined on the basis of appraisals by independent experts. The appraisal is updated whenever there is a change in the property market trend that could affect the validity of the previous estimates and, in any case, every three years. Impairment losses are recognized only when the fair value, net of sale costs, or the value in use of the asset is lower than its book value for three consecutive years.

For other property, plant and equipment items and intangible assets (other than goodwill), the Crédit Agricole Italia Banking Group determines the value in use as the present value of the estimated future cash flows using a discount rate before-taxes reflecting market data (the present value of money and asset-specific risks).

SEGMENT REPORTING METHOD

Crédit Agricole Italia is required to present segment reporting, in accordance with IFRS 8.

The sectors of economic activity covered by segment reporting are determined based on the organizational and management structure of Crédit Agricole Italia.

The Bank's business segments are:
- Retail/Private Banking (including the Financial Advisors channel and the Digital Business Unit);
- Corporate Banking (Large-corporate/Mid-corporate);
- Other/sundry.

For segment reporting purposes, management figures, appropriately reconciled with Financial Statement figures, have been used. The methods used for the impairment testing of goodwill are reported in point No. 13.3 – Assets.

A.3 INFORMATION ON PORTFOLIO TRANSFERS

In 2019, no transfers between portfolios were made.

A.4 FAIR VALUE REPORTING

Qualitative disclosures

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

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

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

- Level 1: Fair value equal to quoted prices (with no adjustments) in active markets. Level 1 includes financial instruments that are quoted on active markets. Specifically, these financial instruments are stocks and bonds quoted in active markets, investment schemes quoted in active markets (EFT) and derivatives traded in regulated markets. Markets are considered active if the quotations are easily and regularly available on the stock exchange, from brokers, intermediaries, price quotation services or regulatory agencies and these prices represent actual transactions that are regularly carried out in the market on an arm's length basis.
- Level 2: Fair value determined using measurement models that are universally acknowledged and based on observable or indirectly observable market inputs (for example determining the interest rate curve based on interest rates that are directly observable on the market at a given reference date).

  Level 2 includes:
  - Stocks and bonds that are quoted on markets considered inactive or that are not quoted on an active market, but whose fair value is determined using a universally acknowledged measurement model based on observable or indirectly observable inputs;
  - Financial instruments whose fair value is determined with measurement models using observable market inputs.
- Level 3: Financial instruments whose fair value is determined using, to a significant extent, inputs that do not meet the set observability requirements.

The fair value of some complex instruments that are not traded in active markets is determined with measurement techniques based on inputs that are not observable on the market.

They are mainly complex interest rate and foreign exchange instruments, unquoted investment funds 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 Crédit Agricole Italia 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 Crédit Agricole Italia.

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

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

By signing ISDA Master Agreements, which are framework agreements that amount to the reference international standard on OTC derivatives, Crédit Agricole Italia 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 Master Agreement and provide for the deposit with the creditor of an amount equal to the mark-to-market value of the exposure as collateral.

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

In accordance with IFRS 13, the Crédit Agricole Italia Banking Group has adopted a model implemented by the 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 own 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 Crédit Agricole Italia'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 credit risk of the Crédit Agricole Italia Banking Group.

As at 31 December 2019, the CVA value for Crédit Agricole Italia, calculated in accordance with the method reported above, was Euro 8.72 million.

Similarly, as at 31 December 2019, the DVA value was Euro 0.39 million.

The difference between the CVA and DVA amounts as calculated (equal to Euro 8.33 million), net of the same component already recognized as at 31 December 2018 (equal to Euro 7.82 million including the positions regarding the absorbed subsidiary Crédit Agricole Carispezia), is a negative income component and, as such, has been recognized in the Income Statement.

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs used

Level 2: this level includes all financial instruments for which there is no active market, but whose measurement is based on observable market inputs. Therefore, universally acknowledged measurement models have been set, which refer to observable market inputs.

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

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

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

A.4.2 Measurement processes and sensitivity

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

Moreover, IFRS 13 requires, for recurring Level 3 measurements, a narrative description of the sensitivity of the fair value measurements to changes in unobservable inputs, if a change in those inputs might result in a significantly different fair value measurement, either higher or lower.

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

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

A.4.3 Fair value hierarchy

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

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

A.4.4 Other information

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

QUANTITATIVE DISCLOSURES

A.4.5 Fair value hierarchy

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

Assets/liabilities measured at fair value	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	93	57,444	34,117	89	54,061	37,458
a) financial assets held for trading;	93	57,444	24,518	89	54,061	31,889
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	9,599	-	-	5,569
2. Financial assets measured at fair value through other comprehensive income	2,495,193	202,000	23,226	2,451,195	195,350	25,755
3. Hedging derivatives	-	668,306	-	-	435,675	-
4. Property, Plant and Equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**2,495,286**	**927,750**	**57,343**	**2,451,284**	**685,086**	**63,213**
1. Financial liabilities held for trading	-	65,642	-	-	61,378	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	155,442	259,953	-	173,044	253,949
Total	**-**	**221,084**	**259,953**	**-**	**234,422**	**253,949**

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

The impact of applying CVA and DVA on the fair value measurement of derivatives held for trading and for hedging came to Euro 8.33 thousand.

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible Assets
	Total	Of which: a) financial assets held for trading	Of which: b) financial assets designated at fair value	Of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	**37,458**	**31,889**	**-**	**5,569**	**25,755**	**-**	**-**	**-**
2. Increases	**5,384**	**1,107**	**-**	**4,276**	**9,318**	**-**	**-**	**-**
2.1 Purchases	546	546	-	-	7,161	-	-	-
2.2 Profits recognized in:	458	438	-	20	761	-	-	-
2.2.1 Income Statement	458	438	-	20	-	-	-	-
- of which: capital gains	194	194	-	-	-	-	-	-
2.2.2 Equity	-	X	X	-	761	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	4,380	123	-	4,256	1,396	-	-	-
3. Decreases	**8,724**	**8,478**	**-**	**246**	**11,847**	**-**	**-**	**-**
3.1 Sales	1,830	1,738	-	92	1,249	-	-	-
3.2 Repayments	6,517	6,517	-	-	-	-	-	-
3.3 Losses recognized in:	377	223	-	154	10,402	-	-	-
3.3.1 Income Statement	377	223	-	154	-	-	-	-
- of which: capital losses	377	223	-	154	-	-	-	-
3.3.2 Equity	-	X	X	-	10,402	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	196	-	-	-
4. Closing Balance	**34,118**	**24,518**	**-**	**9,599**	**23,226**	**-**	**-**	**-**

A.4.5.3 Changes for the year in liabilities measured at fair value on a recurring basis (level 3)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balance	**-**	**-**	**253,949**
2. Increases	**-**	**-**	**48,563**
2.1 Issues	-	-	-
2.2 Losses recognized in:	-	-	13,441
2.2.1 Income Statement	-	-	13,441
- of which Capital losses	-	-	13,441
2.2.2 Equity	X	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	35,122
3. Decreases	**-**	**-**	**42,559**
3.1 Repayments	-	-	39,682
3.2 Repurchases	-	-	-
3.3 Profits recognized in:	-	-	2,877
3.3.1 Income Statement	-	-	2,877
- of which Capital gains	-	-	2,877
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing Balance	**-**	**-**	**259,953**

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

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2019				31.12.2018			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortized cost	50,981,631	4,013,636	7,522,014	40,166,615	47,593,188	3,771,071	7,587,095	34,297,599
2. Investment property	100,585	-	-	106,221	52,837	-	-	73,926
3. Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**51,082,216**	**4,013,636**	**7,522,014**	**40,272,836**	**47,646,025**	**3,771,071**	**7,587,095**	**34,371,525**
1. Financial liabilities measured at amortized cost	50,807,795	-	50,333,845	645,724	47,280,389	-	46,447,372	670,606
2. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**50,807,795**	**-**	**50,333,845**	**645,724**	**47,280,389**	**-**	**46,447,372**	**670,606**

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

The book value recognized for non-performing loans, classified at Level 3 of the fair value hierarchy is assumed to be a reasonable approximation of the fair value. This assumption is based on the fact that the fair value calculation is mainly affected by the expected recovery from the borrower through internal collection activities based on the account manager's subjective assessment, as well as by the alternative scenario of selling the individual non-performing exposure on the market, which considers the main assessment parameters used by potential buyers; therefore, the recovery value recognized results from the weighting of such scenarios. For more exhaustive reporting, please refer to Part A.2 -Classification and measurement of financial instruments – ECL governance and measurement.

On the other hand, it is pointed out that the fair value of performing loans, classified at Level 3, as reported in the table, has been calculated based on models that use mainly unobservable inputs (e.g: internal risk parameters). Therefore, for these loans (stage 1 and stage 2), also because there is no secondary market, the fair value recognized, for disclosure purposes only, could be significantly different from the prices of any disposals.

A.5 REPORTING ON DAY ONE PROFIT/LOSS

Paragraph 28 of IFRS 7 governs the specific situation where, in case of purchase of a financial instrument that is designated at fair value but not listed on an active market, the transaction price, which generally is equal to the fair value best estimate upon initial recognition, is different from the fair value determined based on the measurement techniques used by the entity.

In this case, a measurement profit/loss is realized upon acquisition, which shall be adequately reported by financial instrument class.

It is reported that this case does not apply to the financial statements of Crédit Agricole Italia.

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 CASH AND CASH EQUIVALENTS: BREAKDOWN

	31.12.2019	31.12.2018
a) Cash	326,279	224,047
b) Demand deposits with Central Banks	-	-
Total	**326,279**	**224,047**

Section 2 – Financial assets measured at fair value through profit or loss – Item 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY TYPE

Items/Values	31.12.2019			31.12.2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance-sheet assets						
1. Debt securities	93	-	-	89	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	93	-	-	89	-	-
2. Equity securities	-	-	-	-	-	-
3. Units of O.I.C.R. collective investment undertakings	-	-	23,832	-	-	25,004
4. Loans	-	-	-	-	-	6,440
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	6,440
Total A	**93**	**-**	**23,832**	**89**	**-**	**31,444**
B. Derivatives						
1. Financial Derivatives	-	57,444	686	-	54,061	445
1.1 held for trading	-	57,444	686	-	54,061	445
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit Derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**-**	**57,444**	**686**	**-**	**54,061**	**445**
Total (A+B)	**93**	**57,444**	**24,518**	**89**	**54,061**	**31,889**

Item 3 “Units of O.I.C.R collective investment undertakings” came to Euro 23,832 thousand and mainly reports the investments in the Asset Bancari III real estate fund as to Euro 15,308 thousand, in the Anthilia Bond Impresa Territorio fund as to Euro 2,657 thousand, in the Toscana Venture FCC fund as to Euro 1,995 thousand, in the Minibond PMI fund as to Euro 1,950 thousand and in the Rilancio e sviluppo FCC as to Euro 1,568 thousand.

2.2 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY BORROWER/ISSUER/ COUNTERPARTY

Items/Values	31.12.2019	31.12.2018
A. On-balance-sheet assets		
1. Debt securities	93	89
a) Central Banks	-	-
b) Public administration bodies	92	88
c) Banks	1	1
d) Other financial companies	-	-
of which: insurance undertakings		
e) non-financial corporations	-	-
2. Equity securities	-	-
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance undertakings	-	-
c) non-financial corporations	-	-
c) Other issuers	-	-
3. Units of O.I.C.R. collective investment undertakings	23,832	25,004
4. Loans	-	6,440
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	6,440
of which: insurance undertakings	-	6,440
e) non-financial corporations	-	-
f) Households	-	-
Total A	**23,925**	**31,533**
B. Derivatives		
a) Central counterparties	-	-
b) Other	58,130	54,506
Total B	**58,130**	**54,506**
Total (A+B)	**82,055**	**86,039**

The trading book consists mainly of Over-The-Counter derivatives for matched trading.
The mismatch in the measurement of derivatives held for trading recognized in item “Financial liabilities held for trading” resulted from the CVA/DVA application in measuring fair value, as reported in section A.4 of Part A Accounting Policies.

2.5 OTHER FINANCIAL ASSETS AND LIABILITIES MANDATORILY MEASURED AT FAIR VALUE BREAKDOWN BY TYPE

Items/Values	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	-	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	-	-	9,599	-	-	5,569
3. Units of O.I.C.R. collective investment undertakings	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**9,599**	**-**	**-**	**5,569**

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

Item 2 “Equity securities” came to Euro 9,599 thousand and reports the investments in the Company Fraer leasing for Euro 5,211 thousand, in the Company Termomeccanica for Euro 4,114 thousand, which was recognized subsequent to the absorption of Crédit Agricole Carispezia, and in the Company Banca Popolare di Puglia e Basilicata for Euro 274 thousand.

2.6 OTHER FINANCIAL ASSETS AND LIABILITIES MANDATORILY MEASURED AT FAIR VALUE BREAKDOWN BY BORROWER/ISSUER

Items/Values	31.12.2019	31.12.2018
1. Equity securities	9,599	5,569
of which: banks	274	346
of which: other financial companies	5,211	5,224
of which: non-financial corporations	4,114	-
2. Debt securities	-	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
3. Units of O.I.C.R. collective investment undertakings	-	-
4. Loans	-	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
f) Households	-	-
Total	**9,599**	**5,569**

Section 3 – Financial assets measured at fair value through other comprehensive income – Item 30

3.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY TYPE

Items/Values	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Debt securities	2,478,066	-	-	2,438,308	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	2,478,066	-	-	2,438,308	-	-
2. Equity securities	17,127	202,000	23,226	12,887	195,350	25,755
3. Loans	-	-	-	-	-	-
Total	**2,495,193**	**202,000**	**23,226**	**2,451,195**	**195,350**	**25,755**

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

As at the reporting date, the exposure in debt securities totalled Euro 2,478 million and consisted of Italian government bonds.

Among equity securities at level 2, the Crédit Agricole Italia Banking Group holds 8,080 shares in the Bank of Italy, equal to 2.69% of its entire share capital. These shares were recognized for a book value of Euro 202 million, obtained measuring each share at a unit value of Euro 25,000. These shares resulted from the share capital increase that the Bank of Italy made in 2013 in accordance with Italian Decree Law no. 133 of 30 November 2013, converted with Italian Law no. 5 of 29 January 2014, which determined the issue of new shares for a value of Euro 25,000 each.

Equity securities at level 1 mainly include the shares held in Unipol- Sai capital for an amount of Euro 16,887 thousand.

Level 3 equity securities include the assets from the contribution to the Voluntary Scheme of the Interbank Deposit Protection Fund for Euro 5,357 thousand.

3.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY BORROWER/ISSUER

Items/Values	Total 31.12.2019	Total 31.12.2018
1. Debt securities	**2,478,066**	**2,438,308**
a) Central Banks	-	-
b) Public administration bodies	2,478,066	2,438,308
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
2. Equity securities	**242,353**	**233,992**
a) Banks	205,822	195,350
c) Other issuers:	36,531	38,642
- other financial companies	25,418	27,341
of which: insurance undertakings	16,887	12,887
- non-financial corporations	11,113	11,301
- other	-	-
3. Loans	-	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
f) Households	-	-
Total	**2,720,419**	**2,672,300**

Row 2.a) reports also the value of the shares in the Bank of Italy held, amounting to Euro 202 million.

3.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value				Total adjustments			
	Stage 1	Of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total/partial write-offs (*)
Debt securities	2,481,066	2,481,066	-	-	-3,000	-	-	-
Loans	-	-	-	-	-	-	-	-
Total 31 Dec. 2019	**2,481,066**	**2,481,066**	-	-	**-3,000**	-	-	-
Total 31 Dec. 2018	**2,440,655**	**2,440,655**	-	-	**-2,347**	-	-	-
of which: POCI	X	X	-	-	X	-	-	-

(*) Value to be stated for disclosure purposes

Section 4 – Financial assets measured at amortized cost – Item 40

4.1 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE FROM BANKS

Type of transactions/Values	31.12.2019						31.12.2018					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and stage 2	Stage 3	Of which: POCI	L1	L2	L3	Stage 1 and stage 2	Stage 3	Of which: POCI	L1	L2	L3
A. Claims on Central Banks	**3,546,257**	**-**	**-**	**-**	**3,546,257**	**-**	**2,371,138**	**-**	**-**	**-**	**2,371,138**	**-**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Reserve requirement	3,538,693	-	-	X	X	X	2,366,266	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	7,564	-	-	X	X	X	4,872	-	-	X	X	X
B. Due from Banks	**3,975,757**	**-**	**-**	**-**	**3,975,757**	**-**	**5,215,878**	**-**	**-**	**-**	**5,215,879**	**-**
1. Loans	3,975,757	-	-	-	3,975,757	-	5,215,878	-	-	-	5,215,879	-
1.1 Current accounts and deposits	149,790	-	-	X	X	X	159,895	-	-	X	X	X
1.2 Time deposits	2,872,837	-	-	X	X	X	4,000,322	-	-	X	X	X
1.3 Other loans:	953,130	-	-	X	X	X	1,055,661	-	-	X	X	X
- Repurchase agreements for lending purposes	426,400	-	-	X	X	X	634,740	-	-	X	X	X
- Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
- Other	526,730	-	-	X	X	X	420,921	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured Securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**7,522,014**	**-**	**-**	**-**	**7,522,014**	**-**	**7,587,016**	**-**	**-**	**-**	**7,587,017**	**-**

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

As at 31 December 2019, there were no non-performing assets due from banks.

4.2 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF LOANS TO CUSTOMERS

Type of transactions/Values	31.12.2019						31.12.2018					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and stage 2	Stage 3	Of which: POCI	L1	L2	L3	Stage 1 and stage 2	Stage 3	Of which: POCI	L1	L2	L3
Loans	**37,941,261**	**1,338,181**	**-**	**-**	**-**	**39,996,886**	**34,719,267**	**1,389,705**	**-**	**-**	**-**	**34,297,599**
1. Current accounts	2,121,616	308,320	-	X	X	X	2,212,188	317,601	-	X	X	X
2. Repurchase agreements for lending purposes	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgage loans	25,109,206	915,029	-	X	X	X	22,427,895	916,571	-	X	X	X
4. Credit cards, personal loans and loans repaid by automatic deductions from salaries/pensions	158,742	5,210	-	X	X	X	174,420	5,307	-	X	X	X
5. Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	10,551,697	109,622	-	X	X	X	9,904,764	150,226	-	X	X	X
Debt securities	4,180,175	-	-	4,013,636	-	169,729	3,897,200	-	-	3,771,071	79	-
1. Structured Securities	-	-	-	-	-	-	-	-	-	-	-	-
2. Other debt securities	4,180,175	-	-	4,013,636	-	169,729	3,897,200	-	-	3,771,071	79	-
Total	**42,121,436**	**1,338,181**	**-**	**4,013,636**	**-**	**40,166,615**	**38,616,467**	**1,389,705**	**-**	**3,771,071**	**79**	**34,297,599**

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

As regards the values in stage 1 and stage 2, the most significant sub-items are reported below:

- Sub-item "3. Mortgage loans" also reports credit claims pooled to secure the issues of Covered Bonds for Euro 7.9 billion, as well as asset-backed securities for Euro 2.3 billion;
- Item "2.2 Other debt securities" reports almost exclusively Italian Government securities.

4.3 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY BORROWER/ISSUER OF LOANS TO CUSTOMERS

Type of transactions/Values	31.12.2019			31.12.2018		
	Stage 1 and stage 2	Stage 3	Of which POCI	Stage 1 and stage 2	Stage 3	Of which POCI
1. Debt securities	**4,180,175**	-	-	**3,897,200**	-	-
a) Public administration bodies	4,010,447	-	-	3,724,258	-	-
b) Other financial companies	149,731	-	-	152,982	-	-
Of which: insurance undertakings	149,703	-	-	152,903	-	-
c) non-financial corporations	19,997	-	-	19,960	-	-
2. Loans to:	**37,941,261**	**1,338,181**	-	**34,719,267**	**1,389,705**	-
a) Public administration bodies	231,017	1	-	170,199	3	-
b) Other financial companies	7,083,998	12,228	-	7,314,608	9,798	-
Of which: insurance undertakings	88,028	3	-	74,213	2	-
c) non-financial corporations	11,493,525	961,598	-	10,538,169	1,045,640	-
d) Households	19,132,721	364,354	-	16,696,291	334,264	-
Total	**42,121,436**	**1,338,181**	**-**	**38,616,467**	**1,389,705**	**-**

4.4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value				Total adjustments			Total partial write-offs (*)
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	4,185,153	4,185,153	-	-	4,978	-	-	-
Loans	43,598,759	-	2,041,557	2,823,201	64,771	112,270	1,485,020	28,692
Total 31 Dec. 2019	47,783,912	4,185,153	2,041,557	2,823,201	69,749	112,270	1,485,020	28,692
Total 31 Dec. 2018	41,927,840	3,900,873	2,100,514	2,878,867	-62,868	-133,141	-1,489,162	8,806
of which: POCI	X	X	-	-	X	-	-	-

(*) Value to be stated for disclosure purposes

Section 5- Hedging derivatives – Item 50

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

	Fair value 31.12.2019			NV 31.12.2019	Fair value 31.12.2018			NV 31.12.2018
	L1	L2	L3		L1	L2	L3	
A. Financial Derivatives	-	668,306	-	18,246,172	-	435,675	-	15,510,892
1) Fair value	-	668,306	-	18,246,172	-	435,675	-	15,510,892
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**668,306**	**-**	**18,246,172**	**-**	**435,675**	**-**	**15,510,892**

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

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

Transactions/Type of hedge	Fair value							Cash flows		Investments in foreign operations
	Micro-hedging						Macro-hedging	Micro-hedging	Macro-hedging	
	Debt securities and interest rates	Equity securities and equity indices	Currencies and gold	Credit	Commodities	Other				
1. Financial assets measured at fair value through other comprehensive income	697	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortized cost	23,575	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**24,272**	-	-	-	-	-	-	-	-	-
1. Financial liabilities	644,034	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**644,034**	-	-	-	-	-	-	-	-	-
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

The “Hedging Derivatives” item referring to financial assets measured at amortized cost came to Euro 23,575 thousand and reports mortgage loans hedging, specifically the hedged component is the part regarding interest rate risk only. Hedging uses IRO traded in order to hedge the risk that a variable-rate mortgage loan contract, once having reached its cap, becomes a fixed-rate item, with subsequent increase in the Bank’s financial leverage.

The “Hedging derivatives” item referring to financial liabilities consists of Euro 264,419 thousand for hedging of own bonds issued and of Euro 379,419 thousand hedging demand deposits, specifically the hedged component is the part regarding interest rate risk only.

Hedging uses IRS in which the fixed-rate leg equalizes the debenture loan rate and the variable-rate leg is determined as the Euribor (1, 3 or 6 months) +/- spread. For demand deposits hedging, a “dummy” bond-equivalent is simulated to identify the hedged item from the modeling of the hedged financial statement item.

Section 6 – Fair value change of financial assets in macro-hedge portfolios – Item 60

6.1 FAIR VALUE CHANGE OF HEDGED ASSETS BREAKDOWN BY HEDGED PORTFOLIO

Adjustments of hedged assets/Values	31.12.2019	31.12.2018
1. Positive fair value change	**97,842**	**27,752**
1.1 of specific portfolios:	97,842	27,752
a) financial assets measured at amortized cost	97,842	27,752
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
2. Negative fair value change	**-233**	**-21**
2.1 of specific portfolios:	-233	-21
a) financial assets measured at amortized cost	-233	-21
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	-	-
Total	**97,609**	**27,731**

The hedged items are mortgage loans with cap option. Hedging uses IRO traded in order to hedge the risk that a floating-rate mortgage loan contract, once having reached its cap, becomes a fixed-rate item, with subsequent increase in the Bank's financial leverage.

Section 7 – Equity investments – Item 70

7.1 EQUITY INVESTMENTS: DISCLOSURE ON EQUITY INVESTMENTS IN OTHER ENTITIES

Name	Registered Office	Operating HQ	% held	% of votes available
A. Subsidiaries				
Crédit Agricole FriulAdria S.p.A.	Pordenone, Italy	Pordenone, Italy	81.46	81.84
Crédit Agricole Group Solutions S.C.p.A	Parma, Italy	Parma, Italy	89.10	
Crédit Agricole Leasing Italia – Calit S.r.l.	Milan, Italy	Milan, Italy	85.00	
Crédit Agricole Italia OBG S.r.l.	Milan, Italy	Milan, Italy	60.00	
Crédit Agricole Real Estate S.r.l.	Parma, Italy	Parma, Italy	100.00	
Le Village by Crédit Agricole Parma S.r.l.	Parma, Italy	Parma, Italy	66.67	
MondoMutui Cariparma S.r.l.	Milan, Italy	Milan, Italy	19.00	
Nuova Madonnina S.p.A	Cesena, Italy	Cesena, Italy	100.00	
San Giorgio Immobiliare S.p.A.	Cesena, Italy	Cesena, Italy	100.00	
San Piero Immobiliare S.r.l.	Cesena, Italy	Cesena, Italy	100.00	
Sliders S.r.l.	Milan, Italy	Milan, Italy	100.00	
Società Agricola Le Cicogne S.r.l.	Faenza, Italy	Faenza, Italy	50.01	
B. Joint arrangements	-	-	-	-
A. Companies subject to significant influence				
Fiere di Parma S.p.A.	Parma, Italy	Parma, Italy	32.42	
Le Village By Crédit Agricole Milano S.r.l.	Milan, Italy	Milan, Italy	38.91	

7.5 EQUITY INVESTMENTS: CHANGES FOR THE YEAR

	Total 31.12.2019	Total 31.12.2018
A. Opening balance	**1,371,395**	**1,493,704**
B. Increases	**30,312**	**12,023**
B.1 Purchases	29,211	12,013
B.2 Recoveries/writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	1,101	10
C. Decreases	**327,269**	**134,332**
C.1 Sales	-	132,902
C.2 Value adjustments	-	1,120
C.3 Writedowns	30	-
C.4 Other changes	327,239	310
D. Closing balance	**1,074,438**	**1,371,395**
E. Total recoveries/writebacks	-	-
F. Total adjustments/writedowns	-	-

The increase of Euro 29,211 thousand mainly reflects the purchase of 20% of the equity investment in Crédit Agricole Carispezia (increase of Euro 24,537 thousand), which was then absorbed (decrease of Euro 319,913 thousand).

The remaining portion of the decrease reflects the reclassification of Cassa di Risparmio di Volterra to “Financial Asset through other comprehensive income” (Euro 7,116 thousand).

7.8 DISCLOSURE OF SIGNIFICANT RESTRICTIONS

As at 31 December 2019, there were no significant restrictions pursuant to IFRS 12, paragraphs 13 and 22 a).

Section 8 – Property, plant and equipment – Item 80

8.1 OPERATING PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	Total 31.12.2019	Total 31.12.2018
1. Owned	**569,743**	**537,725**
a) land	164,621	156,237
b) buildings	364,478	340,694
c) furniture	15,296	15,609
d) electronic plants	4,812	3,715
e) other	20,536	21,470
2. Rights of use acquired with leases	**148,094**	**2,004**
a) land	172	172
b) buildings	146,736	1,832
c) furniture	-	-
d) electronic plants	-	-
e) other	1,186	-
Total	**717,837**	**539,729**
of which: obtained through the enforcement of guarantees received	-	-

The table reports Euro 148,094 thousand worth of leased property, plant and equipment and recognized subsequent to the first-time adoption, on 1 January 2019, of IFRS 16, which, as exhaustively described in Part A – Accounting Policies, requires recognition under assets in the balance sheet of the right of use transferred to the lessee.

The balance reports also the value of the rights of use regarding leases that had already been recognized under property, plant and equipment as at 31 December 2018 in accordance with IAS 17.

8.2 INVESTMENT PROPERTY: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	Total 31.12.2019				Total 31.12.2018			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned	**95,404**	**-**	**-**	**101,040**	**52,837**	**-**	**-**	**73,926**
a) land	41,198	-	-	43,024	27,237	-	-	32,214
b) buildings	54,206	-	-	58,016	25,600	-	-	41,712
2. Rights of use acquired with leases	**5,181**	**-**	**-**	**5,181**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	5,181	-	-	5,181	-	-	-	-
Total	**100,585**	**-**	**-**	**106,221**	**52,837**	**-**	**-**	**73,926**
of which: obtained through the enforcement of guarantees received	-	-	-	-	-	-	-	-

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

The table reports Euro 5,181 thousand worth of leased property, plant and equipment and recognized subsequent to the first-time adoption, on 1 January 2019, of IFRS 16, which, as exhaustively described in Part A – Accounting Policies, requires recognition under assets in the balance sheet of the right of use transferred to the lessee.

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

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Opening gross balance	**156,408**	**522,966**	**84,599**	**54,177**	**63,823**	**881,973**
A.1 Total net impairment writedowns	-	180,441	68,990	50,462	42,352	342,245
A.2 Opening net balance	156,408	342,525	15,609	3,715	21,471	539,728
B. Increases	**16,970**	**235,244**	**3,712**	**3,765**	**3,720**	**263,411**
B.1 Purchases	16,970	230,148	3,712	3,765	3,720	258,315
B.2 Capitalized improvement expenses	-	5,096	-	-	-	5,096
B.3 Recoveries/writebacks	-	-	-	-	-	-
B.4 Fair value gains recognized in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**8,585**	**66,555**	**4,025**	**2,668**	**3,469**	**85,302**
C.1 Sales	-	165	132	-	4,625	4,922
C.2 Depreciation	-	41,895	3,743	2,668	-1,190	47,116
C.3 Impairment losses recognized in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
C.4 Fair value recognized in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to	8,585	15,680	-	-	-	24,265
a) Investment property	8,585	15,680	X	X	X	24,265
b) Non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	8,815	150	-	34	8,999
D. Closing net balance	**164,793**	**511,214**	**15,296**	**4,812**	**21,722**	**717,837**
D.1 Total net impairment writedowns	-	267,410	79,650	59,408	49,419	455,887
D.2 Closing gross balance	164,793	778,624	94,946	64,220	71,141	1,173,724
E. Measurement at cost	-	-	-	-	-	-

All the asset classes in the table have been measured at cost.

Item "C.6 Transfers to: a) investment property" reports the reclassification from operating property to investment property, subsequent to the rationalization of the physical network started by the Crédit Agricole Italia Banking Group.

CHANGE FOR THE PERIOD IN PROPERTY PLANT AND EQUIPMENT RECOGNIZED APPLYING IFRS 16

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Opening gross balance	**172**	**1,871**	**-**	**-**	**-**	**2,043**
A.1 Total net impairment writedowns	-	39	-	-	-	39
A.2 Opening net balance	172	1,832	-	-	-	2,004
B. Increases:	**-**	**180,183**	**-**	**-**	**1,710**	**181,893**
B.1 Purchases	-	180,183	-	-	1,710	181,893
B.2 Capitalized improvement expenses	-	-	-	-	-	-
B.3 Recoveries/Writebacks	-	-	-	-	-	-
B.4 Fair value gains recognized in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases:	**-**	**35,239**	**-**	**-**	**524**	**35,803**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	26,465	-	-	490	26,995
C.3 Impairment losses recognized in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
C.4 Fair value losses recognized in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) Investment property	-	-	X	X	X	-
b) Discontinuing operations	-	-	-	-	-	-
C.7 Other changes	-	8,814	-	-	34	8,848
D. Closing net balance	**172**	**144,944**	**-**	**-**	**1,186**	**148,094**
D.1 Total net impairment writedowns	-	26,425	-	-	490	26,994
D.2 Closing gross balance	**172**	**171,369**	**-**	**-**	**1,676**	**175,088**

The opening balances include the rights of use recognized until 31 December 2018 in accordance with IAS 17.

8.7 INVESTMENT PROPERTY: CHANGES FOR THE YEAR

	Total 31.12.2019	
	Land	Buildings
A. Opening balance	**27,237**	**25,600**
B. Increases	14,017	39,182
B.1 Purchases	5,428	23,488
B.2 Capitalized improvement expenses	3	14
B.3 Fair value gains	-	-
B.4 Writebacks	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfers from operating assets	8,586	15,680
B.7 Other changes	-	-
C. Decreases	**56**	**5,395**
C.1 Sales	56	809
C.2 Depreciation	-	3,923
C.3 Fair Value losses	-	-
C.4 impairment losses	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfers to:	-	-
a) operating assets	-	-
b) Non-current assets held for sale and discontinued operations	-	-
C.7 Other changes	-	663
D. Closing balance	**41,198**	**59,387**
E. Measurement at fair value	**43,024**	**63,197**

All the asset classes in the table have been measured at cost.

CHANGE FOR THE PERIOD IN PROPERTY PLANT AND EQUIPMENT RECOGNIZED APPLYING IFRS 16

	Total	
	Land	Buildings
A. Opening balance	**-**	**-**
B. Increases	-	7,742
B.1 Purchases	-	7,742
B.2 Capitalized improvement expenses	-	-
B.3 Fair value gains	-	-
B.4 Writebacks	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfers from operating assets	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**2,561**
C.1 Sales	-	-
C.2 Depreciation	-	1,898
C.3 Fair Value losses	-	-
C.4 impairment losses	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfers to other assets portfolios	-	-
a) operating assets	-	-
b) non-current assets held for sale/discontinuing operations	-	-
C.7 Other changes	-	663
D. Closing balance	**-**	**5,181**

Section 9 – Intangible assets – Item 90

9.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

Assets/Values	Totale 31.12.2019		Totale 31.12.2018	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	1,042,598	X	922,340
A.2 Other intangible assets	145,333	-	155,910	-
A.2.1 Assets measured at cost:	145,333	-	155,910	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	145,333	-	155,910	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**145,333**	**1,042,598**	**155,910**	**922,340**

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

Intangible assets representing business with customers have been assigned a finite useful life, based on the time series available on the rate of customer turnover in the retail segment, of 15 years as regards the transactions finalized in 2007 and 2011 and of 13 years for the transactions finalized in 2017.

9.2 INTANGIBLE ASSETS: CHANGES FOR THE YEAR

	Goodwill	Other intangible assets: developed in-house		Other intangible assets: other		Total
		FINITE	INDEFINITE	FINITE	INDEFINITE	
A. Opening balance	**922,340**	**-**	**-**	**334,110**	**-**	**1,256,450**
A.1 Total net impairment writedowns	-	-	-	-178,200	-	-178,200
A.2 Opening net balance	922,340	-	-	155,910	-	1,078,250
B. Increases	**120,258**	**-**	**-**	**14,358**	**-**	**134,616**
B.1 Purchases	120,258	-	-	14,358	-	134,616
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Recoveries/Writebacks	X	-	-	-	-	-
B.4 Fair value gains	-	-	-	-	-	-
- through Equity (OCI)	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-24,935**	**-**	**-24,935**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	-24,935	-	-24,935
Amortization	X	-	-	-24,935	-	-24,935
- Writedowns:	-	-	-	-	-	-
+ though Equity	X	-	-	-	-	-
+ Through profit or loss	-	-	-	-	-	-
C.3 Fair Value losses:	-	-	-	-	-	-
- through Equity (OCI)	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing net balance	**1,042,598**	**-**	**-**	**145,333**	**-**	**1,187,931**
D.1 Total net value adjustments	-	-	-	203,135		203,135
E. Closing gross balance	**1,042,598**	**-**	**-**	**348,468**	**-**	**1,391,066**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Key: DEF: Finite life INDEF: Indefinite life

9.3 INTANGIBLE ASSETS: OTHER INFORMATION

Impairment testing of intangible assets with finite useful life

Within the purchase transactions made in 2007 and 2017 by Crédit Agricole Italia, through a Price Purchase Allocation process, a set of assets with finite useful life was identified, in accordance with the different sources of recurring profitability associated to business with Customers.

They have been assigned a life, based on the time series available on the rate of customer turnover in the retail segment, of 15 years as regards the transactions finalized in 2007 and 2011 and of 13 years for the transactions finalized in 2017.

At the end of 2019 it was verified that the value of each of the elements making up the intangible assets acquired within the scope of the transactions made in 2007, which was calculated as the present value of future cash flows, was still higher than the recognized value and specifically:

- For the component relating to loans to Customers, the present value was calculated taking into account the rate of early repayment of mortgage loans between March 2008 and September 2019, the cost of credit (the 009-2019 average) and the long-term taxation level;

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

The analysis had a favourable outcome.

Therefore, the total value of the intangible assets acquired in 2007 was found higher than their book value, amounting to Euro 26,786 thousand as at 31 December 2019.

At the end of 2019 it was verified that the value of each of the elements making up the intangible assets recognized within the scope of the transactions made in 2011, which was calculated as the present value of future cash flows, was still higher than the recognized value and specifically:
- For the component relating to demand deposits, volumes were essentially in line with the date of purchase and they were measured taking into account the introduction of the Multiple ITR System;
- With regard to Net Fee and Commission Income, the changes in Wealth Management fee and commission income for Assets under Administration and Assets under Management were analyzed for the 2011-2017 period and for 2019 (before actuals), as well as the relevant perspective forecasts to 2026, year when amortization will end, made by projecting the growth rate as per the 2019 budget on future years.

The total value of the intangible assets acquired was found higher than their book value, amounting to Euro 35,958 thousand as at 31 December 2019.

At the end of 2019, the value of each one of the components of the intangible assets recognized within the transactions finalized in 2017 was verified. Based on the evidence found on changes in intangible assets as recognized, no elements have been found suggesting that the value in use of the finite useful life intangible asset representing the value assigned to business with customers resulting from the acquisition of Cassa di Risparmio Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato may be lower than its book value as at 31 December 2019 equal to Euro 70,231 thousand.

Impairment testing of goodwill

As required by IASs/IFRSs, Crédit Agricole Italia tested for impairment the goodwill emerged from the transactions for the acquisition of the 180 branches purchased in 2007, the 81 branches purchased in 2011 and of Crédit Agricole Carispezia (purchased in 2011 and merged by absorption into Crédit Agricole Italia in 2019).

First the Cash Generating Unit (CGU) was identified, i.e. the minimum unit generating cash flows, to which goodwill (equal to Euro 1,042,598 thousand) is to be allocated. Based on the customer segments used for reporting to the management, the CGU was identified as being the Retail+Private Banking channel of Crédit Agricole Italia (which includes the 180 branches acquired in 2007, the 81 acquired in 2011 and those coming from the absorption of Crédit Agricole Carispezia).

The CGU value in use has been calculated consistently with the method adopted by the Crédit Agricole Group S.A. Group, i.e. using the Discounted Cash Flows method and compared with absorbed own funds.

Information on the method for calculating future cash flows and the discount rate is provided in the Annual Report and Consolidated Financial Statements of the Crédit Agricole Italia Banking Group.

The test showed that the CGU value is higher than the relevant goodwill value.

Furthermore, sensitivity to changes in the used input parameters was also analyzed. Specifically, the sensitivity analysis was developed calculating the threshold levels of each parameter exceeding which impairment writedowns would be required.

The analysis results have shown that the book value is equal to the value in use taking the risk premium to 8,22% (vs, 5,05% used for the test); the same result would be obtained taking the risk-free rate to 6,96% (vs, 3,16% used for the test) or the beta parameter to 1,95 (vs, 1,20 used for the test).

Lastly, it was verified at which discounting rate or at which long-term growth rate “g” the value in use becomes equal to the book value. This analysis showed that the book value is equal to the use value only with a marked increase in the discount rate ke (12.3%), whereas, with a long-term growth rate equal to zero, the use value would remain higher than the book value.

A consistent method was used to verify any need to make adjustments to the value of the equity investments held in Crédit Agricole FriulAdria and Crédit Agricole Leasing Italia in the Separate Financial Statements. The capital absorbed by the RWAs of Crédit Agricole FriulAdria was calculated using an 8% parameter, in line with the one used in the previous years and higher than the individual minimum requirement set down by the regulation.

The value in use of the equity investment in Crédit Agricole FriulAdria was found higher than cost; therefore, no impairment writedown was required.

For Crédit Agricole Leasing Italia, capital absorption was calculated using a 6% parameter. In this situation, no need for impairment adjustments was detected, since the value in use of the equity investment was found higher than its book value.

Section 10 -Tax Assets and Tax Liabilities – Item 100 of Assets and Item 60 of Liabilities

10.1 DEFERRED TAX ASSETS: BREAKDOWN

		REVERSAL TIMEFRAME					Total recognized	TAX			
	(*)	2020	2021	2022	Beyond	Undetermined reversal		IRES	Supplement to IRES	IRAP	Totale
Deductible temporary differences											
Value adjustments of loans (1)	From 27.50 to 33.08	100,405	100,405	125,506	592,076	-	918,392	220,414	32,144	32,538	285,096
Adjustments of valuation of securities	33.08	-	-	-	3,161	-	3,161	759	111	215	1,085
Provisions for risks and charges											
- legal disputes as defendant and legal actions to revoke transactions in insolvency proceedings	27.50	41,453	10,255	168	-	-	51,876	12,450	1,816	-	14,266
- signature loans	27.50	-	-	-	-	26,703	26,703	6,409	935	-	7,344
- personnel expenses	From 27.50 to 33.08	41,465	19,625	10,876	12,239	-	84,205	20,209	2,947	5,201	28,357
- other reasons	From 27.50 to 33.08	3,070	6,005	-	-	46,324	55,399	13,295	1,939	115	15,349
Recognition of goodwill for tax purposes	33.08	29,000	96,508	89,644	766,334	-	981,486	235,556	34,352	54,776	324,684
Other costs or provisions not yet deducted	From 27.50 to 33.08	56,334	56,718	56,718	331,085	208,773	709,628	170,311	24,837	32,061	227,209
Tax losses that can be carried forward	27.50	71,396	73,860	114,830	309,255	-	569,341	136,642	19,967	-	156,609
Total by reversal year		**343,123**	**363,376**	**397,742**	**2,014,150**	**281,800**	**3,400,191**	**816,045**	**119,048**	**124,906**	**1,059,999**

(*) Indicates the percentage applied in calculating deferred tax liabilities and assets

(1) For adjustments since 2013, also IRAP applies

For this verification, the profits or losses for tax purposes have been simulated, first of all for the next few financial years, starting from the estimates of the assumed profit or losses for those financial years, and, to this end, considering, in addition to permanent increases and decreases that can be estimated, also the releases of temporary differences, both positive and negative, which are expected to be released in that period. The calculation includes also the impacts generated by the 2020 Italian Budget Law (Law no. 160 of 27 December 2019).

Based on this calculation, in addition to the recovery of the aforementioned temporary differences, the DTA regarding tax losses will be able to be recovered reasonably over five years Possible scenarios of more severe stress have also been assumed, to a reasonable extent, in which some decreases in profits or higher recoveries of temporary difference assets than deemed likely have also been taken into account, thus finding evidence of their recoverability. It may also be useful to point out that the main portion of recognized DTAs consists of so-called convertible DTAs, shown in the table below on deferred tax assets pursuant to Italian Law 214/2011, i.e. DTAs whose recoverability does not depend on future profit, as they may be converted into true receivables from the Italian Inland Revenue Agency in case of statutory or tax losses. As regards IRES DTAs, it is to be pointed out that the companies of the Crdit Agricole Italia Group are members of a tax consolidation scheme pursuant to Article 117 et seq. of Italian Presidential Decree 917/86, which consists also of other resident entities that are controlled, directly or indirectly, by Crdit Agricole S.A. The tax profit expected for the next few financial year of the tax consolidation scheme is markedly higher than the same figure of the entities belonging to the Banking Group, which is further evidence of the recoverability of the most part of the IRES DTAs recognized.

10.2 DEFERRED TAX LIABILITIES: BREAKDOWN

	(*)	REVERSAL TIMEFRAME					Total recognized	TAXES			
		2020	2021	2022	Beyond	Undetermined reversal		IRES	Supp, to IRES	IRAP	TOTAL
Taxable temporary differences											
Realized capital gains	From 27.50 to 33.08	6,136	3,415	213	-	-	9,764	2,343	342	-	2,685
Assets not recognized for tax purposes	From 27.50 to 33.08	9,585	9,585	9,585	72,448	104,153	205,356	49,285	7,188	10,190	66,663
Total by reversal year		**15,721**	**13,000**	**9,798**	**72,448**	**104,153**	**215,120**	**51,628**	**7,530**	**10,190**	**69,348**

(*) Indicates the percentage applied in calculating deferred tax liabilities and assets

10.3 CHANGES IN DEFERRED TAX ASSETS (THROUGH PROFIT OR LOSS)

	Total 31.12.2019	Total 31.12.2018
1. Opening balance	**1,096,512**	**576,886**
2. Increases	**73,834**	**650,254**
2.1 Deferred tax assets recognized in the year	14,931	171,807
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) writebacks	-	-
d) other	14,931	171,807
2.2 New taxes or increases in tax rates	8	21
2.3 Other increases	58,895	478,426
3. Decreases	**129,725**	**130,628**
3.1 Deferred tax assets derecognized in the year	94,331	82,667
a) reversals	94,331	82,667
b) writedowns for supervening non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	35,394	47,961
a) conversion into tax credits pursuant to L. 214/2011	-	37,227
b) other	35,394	10,734
4. Closing balance	**1,040,621**	**1,096,512**

The “Other increases” and “Other decreases” under points 2.3 and 3.3 refer to the increases or decreases resulting from more accurate recognition of deferred tax assets after the Bank filed its income tax return. The related balancing item is not represented by income statement items, but by current tax liabilities. It is also pointed out that, subsequent to the merger of the three Fellini Banks, loss DTA non-convertible into tax credits were acquired amounting to Euro 156,608 thousand as at 31 December 2019. It is also pointed out that the “Other increases” item includes the balances as at 1 January 2019 of Crédit Agricole Carispezia, which was absorbed in 2019.

10.3BIS CHANGES IN DEFERRED TAX ASSETS PURSUANT TO ITALIAN LAW 214/2011

	Total 31.12.2019	Total 31.12.2018
1. Opening balance	**587,494**	**524,596**
2. Increases	**22,362**	**100,128**
3. Decreases	**4**	**37,230**
3.1 Reversals	4	-
3.2 Conversion into tax credits	-	37,227
a) from loss for the year	-	37,227
b) from tax losses	-	-
3.3 Other decreases	-	3
4. Closing balance	**609,852**	**587,494**

Deferred tax assets pursuant to Italian Law 214/2011 were also recognized in equity for an amount of Euro 2,390 thousand. Therefore, total deferred tax assets that can be converted into tax credits pursuant to Italian Law 214/2011 came to Euro 612,242 thousand,

10.4 CHANGES IN DEFERRED TAX LIABILITIES (THROUGH PROFIT OR LOSS)

	Total 31.12.2019	Total 31.12.2018
1. Opening balance	**74,287**	**31,921**
2. Increases	**10,928**	**49,677**
2.1 Deferred tax liabilities recognized in the year	31	5,075
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	31	5,075
2.2 New taxes or increases in tax rates	-	1
2.3 Other increases	10,897	44,601
3. Decreases	**23,070**	**7,311**
3.1 Deferred tax liabilities derecognized in the year	5,473	7,311
a) reversals	5,473	7,311
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	17,597	-
4. Closing balance	**62,145**	**74,287**

10.5 CHANGES IN DEFERRED TAX ASSETS (THROUGH EQUITY/OCI)

	Total 31.12.2019	Total 31.12.2018
1. Opening balance	**40,864**	**10,880**
2. Increases	**6,439**	**32,068**
2.1 Deferred tax assets recognized in the year	-	26,171
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	-	26,171
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	6,439	5,897
3. Decreases	**27,925**	**2,084**
3.1 Deferred tax assets derecognized in the year	27,925	793
a) reversals	27,925	793
b) writedowns for supervening non-recoverability	-	-
b) due to change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	1,291
4. Closing balance	**19,378**	**40,864**

10.6 CHANGES IN DEFERRED TAX LIABILITIES (THROUGH EQUITY/OCI)

	Total 31.12.2019	Total 31.12.2018
1. Opening balance	**651**	**11,366**
2. Increases	**8,689**	**12**
2.1 Deferred tax liabilities recognized in the year	240	-
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	240	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	8,449	12
3. Decreases	**2,137**	**10,727**
3.1 Deferred tax liabilities derecognized in the year	2,080	-
a) reversals	2,080	-
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	57	10,727
4. Closing balance	**7,203**	**651**

Section 12 – Other assets – Item 120

12.1 OTHER ASSETS: BREAKDOWN

	31.12.2019	31.12.2018
Sundry debits in process	76,729	100,258
Revenue stamps and other instruments	3	7
Items being processed	91,887	105,617
Accrued income not allocated to other items	6,891	3,293
Prepaid expenses not allocated to other items	2,873	4,902
Protested bills and cheques	4,494	2,676
Leasehold improvements	10,739	12,981
Tax advances paid on behalf of third parties	39,390	45,640
Sundry	94,123	80,368
Total	**327,129**	**355,742**

LIABILITIES

Section 1 – Financial liabilities measured at amortized cost – Item 10

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE TO BANKS

Type of transactions/ Values	Total 31.12.2019				Total 31.12.2018			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	4,147,987	X	X	X	4,400,000	X	X	X
2. Due to banks	3,090,327	X	X	X	3,588,794	X	X	X
2.1 Current accounts and demand deposits	753,782	X	X	X	552,575	X	X	X
2.2 Time deposits	1,178,528	X	X	X	2,019,561	X	X	X
2.3 Loans	1,147,666	X	X	X	995,780	X	X	X
2.3.1 Repurchase agreements for funding purposes	-	X	X	X	-	X	X	X
2.3.2 Other	1,147,666	X	X	X	995,780	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	277	X	X	X	-	X	X	X
2.6 Other due and payables	10,074	X	X	X	20,878	X	X	X
Total	**7,238,314**	**-**	**7,238,314**	**-**	**7,988,794**	**-**	**7,988,794**	**-**

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

As at 31 December 2019, the "Due to central banks" item reported targeted long term refinancing operations (TLTRO II) with the European Central Bank. These operations provide credit institutions of the Eurosystem with financing having multiyear maturities intended to improve the functioning of the monetary policy transmission mechanism, to support lending by banks to the real economy.

1.2 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE TO CUSTOMERS

Type of transactions/ Values	Total 31.12.2019				Totae 31.12.2018			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	34,218,307	X	X	X	30,839,574	X	X	X
2. Time deposits	13,040	X	X	X	163,147	X	X	X
3. Loans	695	X	X	X	3,219	X	X	X
3.1 Repurchase agreements for funding purposes	-	X	X	X	-	X	X	X
3.2 Other	695	X	X	X	3,219	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	156,328	X	X	X	-	X	X	X
6. Other due and payables	164,595	X	X	X	115,093	X	X	X
Total	**34,552,965**	**-**	**34,552,965**	**-**	**31,121,033**	**-**	**31,121,033**	**-**

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

1.3 FINANCIAL LIABILITIES AT AMORTIZED COST: BREAKDOWN BY TYPE OF SECURITIES ISSUED

Type of securities/values	Total 31.12.2019				Total 31.12.2018			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	8,370,792	-	8,542,566	-	7,499,957	-	7,337,545	-
1.1 Structured	-	-	-	-	9,625	-	9,597	-
1.2 other	8,370,792	-	8,542,566	-	7,490,332	-	7,327,948	-
2. Other securities	645,724	-	-	645,724	670,605	-	-	670,605
2.1 Structured	-	-	-	-	-	-	-	-
2.2 other	645,724	-	-	645,724	670,605	-	-	670,605
Total	**9,016,516**	**-**	**8,542,566**	**645,724**	**8,170,562**	**-**	**7,337,545**	**670,605**

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

Item “1. Bonds” consists of Euro 668,043 thousand worth of debenture loans, of Euro 7,262,629 thousand worth of covered bonds and Euro 440,120 thousand worth of senior non-preferred bonds.

Item “2. Other securities” consists of Euro 108,643 thousand worth of cashier’s cheques and of Euro 537,081 thousand worth of certificates of deposit.

1.4 BREAKDOWN OF SUBORDINATED LIABILITIES/SECURITIES

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in the rep. currency	Book value
Subordinated deposit	28.06.2017	28.06.2027	at maturity	3M Euribor + 219 b.p.	Euro	250,000	250,012
Subordinated deposit	11.12.2017	11.12.2027	at maturity	3M Euribor + 162 b.p.	Euro	400,000	400,273
Subordinated deposit	14.12.2018	14.12.2028	at maturity	3M Euribor + 571 b.p.	Euro	100,000	100,221
Subordinated deposit	02.08.2019	02.08.2029	at maturity	3M Euribor + 213 b.p.	Euro	80,000	80,220
Lower Tier II	31.03.2010	31.03.2020	in one payment at maturity	fixed rate 3.8%	Euro	12,902	13,101
Lower Tier II	31.05.2010	30.11.2023	in one payment at maturity	fixed rate of 4%	Euro	4,050	4,483
Lower Tier II	20.09.2010	20.09.2022	in one payment at maturity	fixed rate of 3.75%	Euro	8,875	9,511
Lower Tier II	16.12.2013	16.12.2020	in one payment at maturity	fixed rate 4.25%	Euro	25,000	25,834
Lower Tier II	18.11.2014	18.11.2021	in one payment at maturity	fixed rate 3.20%	Euro	30,000	31,266
Lower Tier II	25.03.2015	25.03.2021	in one payment at maturity	fixed rate 3%	Euro	55,000	56,832
Lower Tier II	12.01.2015	12.01.2020	in one payment at maturity	fixed rate 2.50%	Euro	9,998	10,120
Lower Tier II	25.03.2015	25.03.2020	in one payment at maturity	eurib6m +485bps	Euro	10,000	10,161
Lower Tier II	20.04.2015	20.04.2021	in one payment at maturity	fixed rate 2.75%	Euro	14,250	14,761
Lower Tier II	31.03.2015	31.03.2021	in one payment at maturity	6M Euribor +300bps	Euro	6,000	6,190
Lower Tier II	24.02.2014	24.02.2020	in 5 annual instalments of the same amount as of 24 Feb. 2016	fixed rate of 3%	Euro	4,220	1,418
Lower Tier II	10.10.2014	10.04.2020	in 5 annual instalments of the same amount as of 10 April. 2016	fixed rate of 2.60%	Euro	1,526	512

Total subordinated deposits came to Euro 830,726 thousand, whereas total Lower tier II instruments came to Euro 184,189 thousand.

1.5 BREAKDOWN OF STRUCTURED LIABILITIES

As at 31 December 2019, there were no structured liabilities.

1.6 LEASE LIABILITIES

As regards reporting on lease liabilities, maturities and cash flows are broken down and commented in the Note to the financial statements – Part M.

Section 2 – Financial liabilities held for trading – Item 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN BY TYPE

Type of transactions/Values	Total 31.12.2019					Total 31.12.2018				
	Nominal or notional value	Fair Value			Fair value*	Nominal or notional value	Fair Value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to Customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-		-	-	-	-	-
3.1 Bonds	-	-	-	-		-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-		-	-	-	-	
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivatives										
1. Financial Derivatives		-	65,642	-			-	61,378	-	
1.1 Held for trading	X	-	65,642	-	X	X	-	61,336	-	X
1.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	42	-	X
2. Credit Derivatives		-	-	-			-	-	-	
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	-	65,642	-	X	X	-	61,378	-	X
Total (A+B)	X	-	65,642	-	X	X	-	61,378	-	X

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

Fair Value* = fair value calculated excluding changes in value resulting from an alteration in the issuer's credit rating vs. the date of issue.

2.2 BREAKDOWN OF FINANCIAL LIABILITIES HELD FOR TRADING: SUBORDINATED LIABILITIES

At the end of 2019, there were no subordinated "Liabilities held for trading".

2.3 BREAKDOWN OF FINANCIAL LIABILITIES HELD FOR TRADING: STRUCTURED LIABILITIES

At the end of 2019, there were no structured "Liabilities held for trading".

Section 4- Hedging derivatives – Item 40

4.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF HEDGE AND BY HIERARCHY LEVEL

	NV 31.12.2019	Fair value 31.12.2019			NV 31.12.2018	Fair value 31.12.2018		
		L1	L2	L3		L1	L2	L3
A. Financial Derivatives	**5,899,475**	**-**	**155,442**	**259,953**	**7,456,488**	**-**	**173,044**	**253,949**
1) Fair value	5,899,475	-	155,442	259,953	7,456,488	-	173,044	253,949
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**5,899,475**	**-**	**155,442**	**259,953**	**7,456,488**	**-**	**173,044**	**253,949**

Key: NV= Notional value L1= Level 1 L2= Level 2 L3= Level 3

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

Transactions/Type of hedge	Fair value							Flussi finanziari		Investments in foreign operations
	Micro-hedging						Macro-hedging	Micro-hedging	Macro-hedging	
	Debt securities and interest rates	Equity securities and equity indices	Currencies and gold	Credit risk	Commodities	Other				
1. Financial assets measured at fair value through other comprehensive income	240,933	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortized cost	155,427	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**396,360**	-	-	-	-	-	-	-	-	-
1. Financial liabilities	19,035	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**19,035**	-	-	-	-	-	-	-	-	-
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

The "Hedging Derivatives" item referring to financial assets measured at amortized cost consisted of Euro 259 thousand for hedging mortgage loans and Euro 155,168 thousand for hedging securities measured at amortized cost.

The "Hedging Derivatives" item referring to financial liabilities consisted of Euro 408 thousand for hedging own bonds issued and Euro 18,627 thousand for hedging deposits.

Section 5 – Fair value change of financial liabilities in macro-hedge portfolios – Item 50

5.1 FAIR VALUE CHANGE OF HEDGED FINANCIAL LIABILITIES: BREAKDOWN BY HEDGED PORTFOLIO

Fair value change of hedged liabilities/Values	Total 31.12.2019	Total 31.12.2018
1. Increase in fair value of hedged financial liabilities	359,422	266,840
2. Decrease in fair value of hedged financial liabilities	17,615	7,206
Total	**341,807**	**259,634**

The part of demand deposits that is considered stable as to liquidity and rate by the internal model adopted by the Crédit Agricole Italia Banking Group is subject to macro-hedging.

Section 6 – Tax Liabilities – Item 60

Please, see Section 10 – Assets.

Section 8 – Other liabilities – Item 80

8.1 OTHER LIABILITIES: BREAKDOWN

	31.12.2019	31.12.2018
Trade payables	82,816	86,032
Amounts due to third parties	230,438	298,286
Credit transfers ordered and being processed	30,900	18,735
Amounts payable to tax authorities on behalf of third parties	80,515	61,570
Advances on loans to mature	244	373
Adjustments for illiquid items	222,578	212,023
Personnel expenses	67,004	54,065
Uncapitalized accrued expenses	9,439	6,856
Deferred income not allocated to other items	20,799	27,782
Sundry	216,963	241,731
Total	**961,696**	**1,007,453**

Section 9 – Employee severance benefits – Item 90

9.1 EMPLOYEE SEVERANCE BENEFITS: CHANGES FOR THE YEAR

	Total 31.12.2019	Total 31.12.2018
A. Opening balance	**94,809**	**87,565**
B. Increases	14,291	23,207
B.1 Provision for the year	664	1,038
B.2. Other changes	13,627	22,169
C. Decreases	**12,289**	**15,963**
C.1 Severance payments	11,600	15,963
C.2 Other changes	689	-
D. Closing balance	**96,811**	**94,809**
Total	**96,811**	**94,809**

9.2 OTHER INFORMATION

INFORMATION ON THE CHARACTERISTICS OF DEFINED-BENEFIT PLANS AND RISKS ASSOCIATED WITH THEM (IAS 19, PARAGRAPH 139)

Employee Severance Benefits

Pursuant to the Italian legislation, at the date of termination of his/her employment contract with a company, each employee is entitled to a severance package called "Trattamento di Fine Rapporto" (Employee Severance Benefits or with the Italian acronym TFR) equal to the sum of the Severance Benefits accrued for each year of work for the employer. The benefit accrued each year is equal to 6.91% of the gross annual Pay. This rate is calculated by dividing the ordinary pay by 13.5; to the resulting amount a deduction is made of 0.5%, which is paid directly to the Italian National Social Security Institute (INPS) as a pension contribution.

Moreover, as at 31 December of each year, the Provision for Employees' Severance Benefits is subject to revaluation applying a fixed-rate of 1.5% plus 75% of the increase in the consumer price index for blue-collar and white-collar households for the year.

The revalued amount as calculated above is taxed at a 17% rate, as provided for by the Italian 2015 Stability Law (Italian Law No. 190 of 23 December 2014).

Pursuant to the applicable legislation, employees may ask for advances on their Severance Benefits accrued when the employment relation is still going on. This advance may be obtained only once during the employment relation, after at least 8 years on staff and up to 70% of the Employee Severance Benefits accrued as at the date of request.

With the entry into force of Italian 2007 Finance Act, concerning the Reform of Supplementary pension Schemes, the measurement of Employee Severance Benefits, in accordance with IAS 19 Revised, must take account of the impacts of these provisions, as well as of the guidelines for their calculation which were issued by the Italian National Association of Actuaries and by the Italian National Accounting Body.

Given that, in 2006, Crédit Agricole Cariparma had an average number of employees higher than 50, it has been considered that the portions of employee severance benefits accruing in the future will be paid to a separate entity (supplementary pension scheme, FONDINPS or to the Fund managed by the Italian State Treasury) irrespective of the employees' choice. It was specifically considered that the Fund managed by the Italian State Treasury through the Italian National Social Security Institute (INPS), pursuant to Article 1, paragraph 5, of the Italian 2007 Finance Act "ensures that private sector employees receive the severance benefits as provided for in Article 2120 of the Italian Civil Code, in accordance with the contributions paid to the Fund".

0.5% supplement to employee severance benefits

For the employees of Cariparma, who were formerly employees of the Intesa San Paolo Group (hereinafter referred to as "formerly Intesa") and were already on staff as at 31 December 1990, upon employment termination, an amount supplementing their severance benefits is granted, amounting to the 0.5% contribution paid to the Italian National Social Security Institute (INPS) by the workers.

Such supplementary amount accrues on a monthly basis and is revalued in accordance with the ISTAT (the Italian National Institute of Statistics) index for the revaluation of employee severance benefits.

Additional 2.75% revaluation of employee severance benefits

For formerly Intesa employees, in case of employment termination, a supplementary amount is granted, which is obtained by applying to the employee severance benefits accrued since 1992, on a yearly basis, an additional fixed revaluation equal to 2.75%. This amount is then revalued, on a yearly basis, according to the reference ISTAT (the Italian National Institute of Statistics) index.

Changes for the year in the defined-benefit plan net liabilities (assets) and in rights to repayment (IAS 19, paragraphs 140 and 141)

The statement of reconciliation for 2019 of the present value of the plan obligation for Crédit Agricole Italia is given below:

Actuarial value of the obligation as at 1 Jan. 2019		94,809
a	Service cost	42
b	Interest cost	622
c	Transfer in/out	11,642
d.1	Actuarial gains/losses from changes in financial assumptions	1,985
d.2	Actuarial gains/losses from changes in demographic assumptions	-146
d.3	Actuarial gains/losses from demographic experience	-543
and	Payments provided for by the Plan	-11,600
Actuarial value of the obligation as at 31 Dec. 2019		**96,811**

Disclosure of the fair value of the plan assets (IAS 19, paragraphs 142 and 143)

This point does not apply because no assets covering Employee Severance Benefits have been provided for.

Description of the main actuarial assumptions (IAS 19, paragraph 144)

In order to be able to make the required measurement, appropriate demographic and economic assumptions must be used on:

- Mortality;
- Invalidity;
- Termination (resignation or dismissal);
- Requests for advances;
- The workers' future economic career (including the assumptions on promotion to higher positions);
- Performance of the actual purchasing power of money.

Specifically, the following assumptions were used:

a) DEMOGRAPHIC TECHNICAL BASES:
a.1 Annual probability of exclusion due to death of employees on staff were calculated based on IPS55;
a.2 Annual probabilities of exclusion due to causes other than death of employees on staff were calculated based on appropriate smoothing of historical data of the Crédit Agricole Italia Banking Group and, therefore, an annual frequency of turnover of 3.50% was used;
a.3 The annual probability of request for advances on the accrued severance benefits was calculated based on the Crédit Agricole Italia Banking Group's experience and was assumed as equal to an average annual rate of 3.00%;
a.4 Retirement is assumed upon meeting the first requirement to qualify for pension.

b) ECONOMIC TECHNICAL BASES:
b.1 To calculate the present value for the various Plans, in compliance with the instructions given by Crédit Agricole S.A., the rate adopted was IBOXX AA 0.27% (duration 5-7 years);
b.2 The cost of living index for white-collar and blue-collar households, required for the revaluation of the employee severance benefits amounts allocated to provision, was assumed at 1.75%, as per the instructions given by Crédit Agricole SA;
b.3 the PAY LINE, as a function of seniority, increasing by automatic pay increases only, was calculated, on average, with reference to the Company's employees, based on the interpolation and smoothing of the distribution of pays by seniority and on the national and company collective bargaining agreements;
b.4 The average annual rate of increase in pay for changes in the minimum wage, is to be seen as related to the fluctuation in the value of money and, therefore, its appreciation, especially in a long-term perspective, is technically difficult; a 1.75% rate was assumed;
b.5 Percentage of accrued employee severance benefits requested as advances: 60%.This percentage was inferred based on the historical data of the Crédit Agricole Italia Banking Group.

Disclosure of amount, timing and uncertainty of cash flows (IAS 19, paragraphs 145, 146 and 147)

The outcomes of the sensitivity analyses for each one of the above main assumptions are given below:

Discount rate

Actuarial value of the obligation as at 31 Dec. 2019		
Central assumption	+50 bp	-50 bp
96,811	93,661	98,608

Inflation rate

Actuarial value of the obligation as at 31 Dec. 2019		
Central assumption	+50 bp	-50 bp
96,811	98,857	94,871

Turnover rate

Actuarial value of the obligation as at 31 Dec. 2019		
Central assumption	+100 bp	-100 bp
96,811	96,152	97,519

Multi-employer plans (IAS 19, paragraph 148)

This point does not apply because the provision for employee severance benefits is not a Multi-employer plan.

Defined-benefit plans that share risks between various entities under common control (IAS 19, paragraphs 149 and 150).

This point does not apply because the provision for employee severance benefits is not a plan that shares risks between various entities under common control.

Section 10 – Provisions for risks and charges – Item 100

10.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

Items/Values	Total 31.12.2019	Total 31.12.2018
1. Provisions for credit risk on commitments and financial guarantees given	27,210	30,007
2. Provisions for other commitments and guarantees given	-	-
3. Company pension plans	37,325	35,621
4. Other provisions for risks and charges	247,711	285,528
4.1 Legal and tax-related disputes	60,450	62,996
4.2 Personnel expenses	108,119	128,872
4.3 Other	79,142	93,660
Total	**312,246**	**351,156**

10.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES FOR THE YEAR

	Provisions for other commitments and guarantees given	Pension plans	Other provisions for risks and charges	Total
A. Opening balance	-	**35,621**	**285,528**	**321,149**
B. Increases	-	**5,475**	**43,178**	**48,653**
B.1 Provision for the year	-	-	38,274	38,274
B.2 Changes due to passage of time	-	390	282	672
B.3 Changes due to alterations in the discount rate	-	-	-	-
B.4 Other changes	-	5,085	4,622	9,707
C. Decreases	-	**3,771**	**80,995**	**84,766**
C.1 Use in the year	-	3,771	80,995	84,766
C.2 Changes due to alterations in the discount rate	-	-	-	-
C.3 Other changes	-	-	-	-
D. Closing balance	-	**37,325**	**247,711**	**285,036**

10.3 PROVIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

	Provisions for credit risk on commitments and financial guarantees given			
	Stage 1	Stage 2	Stage 3	Total
Commitments to disburse funds	1,540	3,684	153	5,377
Financial guarantees given	2,582	2,199	17,052	21,833
Total	**4,122**	**5,883**	**17,205**	**27,210**

10.4 PROVISIONS FOR OTHER COMMITMENTS AND GUARANTEES GIVEN

As at 31 December 2019, there were no provisions for other commitments and guarantees given.

10.5 COMPANY DEFINED-BENEFIT PENSION PLANS

1. Information on the characteristics of defined-benefit plans and risks associated with them

Through its Defined-Benefit Pension Plan, Crédit Agricole Italia provides pension schemes that are supplementary or complementary to the pensions paid by INPS (Italian National Social Security Institute) on whatsoever ground, in compliance with the specific Regulation of the Pension Fund.

As at today's date, in accordance with the above Regulation, the employees on staff are not entitled to the benefits provided by the Pension Fund.

These benefits may consist in a pension assigned directly to the person concerned, in a pension assigned indirectly to the surviving family of the person concerned dying either before or after retirement.

As at 31 December 2019, 545 people (257 women and 288 men) were the beneficiaries of Crédit Agricole Italia Pension Fund, to whom a gross annual supplementary pension is paid amounting to Euro 6,771.90.

The average age of Crédit Agricole Italia beneficiaries is 81.4 years.

2. Change for the year in defined-benefit net liabilities (assets) and in rights to repayment from the plan

The reconciliation for 2019, for Crédit Agricole Italia are given below:

Actuarial value of the obligation as at 1 Jan. 2019		35,621
a	Service cost	-
b	Interest cost	390
c.1	Actuarial gains/losses from changes in financial assumptions	1,262
c.2	Actuarial gains/losses from changes in demographic assumptions	-
c.3	Actuarial gains/losses from demographic experience	427
d	Payments provided for by the Plan	-3,771
and	Transfer in	3,397
Actuarial value of the obligation as at 31 Dec. 2019		**37,326**

The value of the mathematical reserve is equal to the amount that the Management should have as at the measurement date, based on the assumptions used, in order to meet all the commitments undertaken towards the participants in the plan.

3. Disclosure of the fair value of the plan assets

This point does not apply because no assets covering the plan have been provided for.

4. Description of the main actuarial assumptions

In order to be able to make the required measurement, appropriate demographic and economic assumptions must be used on:

- Mortality;
- Probability to have a family;
- Performance of the actual purchasing power of money.

The main economic and demographic assumptions are given below, which have been used for the plan measurement and have been made based on the information provided by the Company subject to assessment and on market data/statistics:

- Annual probability of exclusion due to death of employees not on staff were calculated based on IPS55;
- For assignment to the surviving family in case of the pensioner's death, differentiated technical bases were used according to the age and gender of the member;
- The cost of living index for white-collar and blue-collar households, required for smoothing the annual pension instalments, was assumed at 1.75%, in accordance with the instructions given by Crédit Agricole SA;
- The annual increase in the plan benefits is governed by the relevant Regulation, and, therefore, by the applicable regulations in force for INPS (Italian National Social Security Institute) pensions (automatic smoothing pursuant to paragraph 1, Article 34 of Italian Law No. 448/1998, as amended by paragraph 1, Article 69 of Italian Law No. 388/2000);
- To calculate the Present Value, in compliance with the instructions issued by Crédit Agricole SA, the rate used was IBOXX AA (duration 7-10 years) of 0.56%.

5. Disclosure of amount, timing and uncertainty of future cash flows

The results of the sensitivity analyses for each one of the aforementioned main assumptions are given below:

Discount rate

Actuarial value of the obligation as at 31 Dec. 2019		
Central assumption	**+50 bp**	**-50 bp**
37,326	35,898	38,863

Mortality rate

Actuarial value of the obligation as at 31 Dec. 2019		
Central assumption	**+20 bp**	**-20 bp**
37,326	34,110	41,520

6. MULTI-EMPLOYER PLANS

This does not apply to Crédit Agricole Italia.

7. Defined-benefit plans that share risks between various entities under common control

This does not apply to Crédit Agricole Italia.

10.6 PROVISIONS FOR RISKS AND CHARGES – OTHER PROVISIONS

Sub-item 4.2 "Other provisions – Personnel expenses" of Table 10.1 also reports the provisions allocated in 2019 and the remaining portion of those allocated in 2018 and 2016 by Crédit Agricole Italia, for the liabilities resulting from the Trade Union agreement that gave the possibility to interested employees, who are already eligible for pension or will become eligible in the next few years, to voluntarily terminate their employment receiving incentives.

Some years ago, a dispute was started on registration taxes with the Agenzia delle Entrate, the Italian Inland Revenue Service. The Agenzia delle Entrate has reclassified the transfers of branches from Intesa Sanpaolo to Crédit Agricole Italia and Crédit Agricole FriulAdria carried out in 2007 and the subsequent transfer of the received equity investments to the institutional Shareholders of the two Banks as sales of business units. Based on this reclassification, the total amount jointly due by the parties involved on various grounds in the specific transactions would be approximately Euro 35.8 million and Euro 4.08 million, respectively, plus interest. On this dispute, favourable decisions were issued by the competent Courts of second instance, against which the Agenzia delle Entrate filed appeal with the Italian Court of Cassation.

In 2014, a dispute started, again on registration taxes and based on the same grounds, regarding a similar transaction carried out in 2011, once again with the Intesa Sanpaolo Group. This dispute entails a request to pay taxes, on the three transfers made, for approximately Euro 1.5 million, Euro 2.2 million and Euro 9.9 million respectively, plus interest. The competent Courts of first and second instance issued favourable decisions also on these disputes, against which the Agenzia delle Entrate filed appeal with the Italian Court of Cassation.

Again in regard to such transaction, in March 2016 other verification notices were served concerning the recalculation of the business unit value for a total of Euro 2.1 million, which were appealed against.
While believing that its conduct has always been fair and lawful, merely for risk mitigation purposes, the Crédit Agricole Group assessed the expediency of exercising the option provided for by Italian Decree Law 119/2018, so-called tax amnesty measures, including the possibility to settle some tax disputes by paying lower taxes and no penalties and interest.

In agreement with all the parties involved, in May 2019, the expediency of exercising that option was decided for the above-listed disputes, except for the dispute regarding one of the 2011 transfers, lodging the specific petitions for settlement and paying the relevant amounts. For the settlement of those disputes, subsequent to the reached agreements, the cost incurred by Crédit Agricole Italia was Euro 0.2 million. Having lodged the aforementioned petitions, unless they are rejected, which seems quite unlikely, those disputes can be deemed finally closed.

The only disputes still pending are those concerning a 2011 transfer, entailing a tax amount of Euro 11.7 million, plus interest. It was decided not to exercise the tax amnesty option for these disputes, because the due refunds of the taxes paid while the dispute was pending had not yet been received within the set terms. Indeed, in accordance with the relevant Decree Law, exercising the tax amnesty option would have entailed a cost that would have also included the loss of the right to refund; therefore, an amount that would have been by far too high vs. the assessed risk. For this dispute, Crédit Agricole Italia has a provision of approximately Euro 1.15 million.

A dispute started in 2014 subsequent to non-payment to Crédit Agricole Italia of part of the specific tax account receivable provided for by Italian Decree-Law 185/2008 for the amounts credited by it to Customers relating to the State contribution on floating-rate mortgage loans that were taken out by 31 October 2008.
With the aforementioned Decree Law, the Italian State provided a contribution to taxpayers that took out floating-rate mortgage loans for the purchase of their home amounting to the interest paid by the same taxpayers in 2009 at a rate over 4%. This amount was to be credited directly by the lending banks that would recover it through a tax credit.
The Italian Inland Revenue Service has refused to acknowledge the portion of this tax account receivable relating to amounts actually credited to Customers in 2010 and issued the relevant tax payment form.
Consequently, Crédit Agricole Italia had to pay an amount of Euro 1.3 million and started a specific dispute.
However, the first-instance judgement has confirmed the claim of the Agenzia delle Entrate as to the tax amount, while it overruled the penalty claim. Continuing such dispute was deemed appropriate, based on the valid arguments put forward, and, at the end of July 2016, an appeal was filed with the competent Court of second instance, against which the Agenzia delle Entrate submitted its counter-arguments

Subsequent to the merger of the Banks acquired at the end of 2017, as well as of Crédit Agricole Carispezia, which was merged in the summer of 2019, Crédit Agricole Italia took over all the legal rights and obligations of the merged entities and, therefore, also those regarding tax disputes.

In December 2018, Crédit Agricole Italia was served 3 verification notices regarding the 2013- -2014 and 2015 fiscal years concerning the merged bank Cassa di Risparmio di San Miniato, whereby the Agenzia delle Entrate, following a tax audit, has claimed that certain income components were not duly taxed, as regards the Italian Regional Tax on Productive Activities (IRAP), for a total of approximately Euro 0.6 million. In May 2019, Crédit Agricole Italia decided to settle the verification notices served before 24 October 2018 exercising the option for the tax amnesty measures and, thus, paying the claimed taxes only, with no penalties and no interest, for a total of Euro 0.292 million and filing the additional tax returns for the three tax years. The cost was fully covered with the specific provision.

Finally, it is reported that some disputes concerning registration tax on legal deeds are pending, for a total amount of Euro 0.37 million, regarding the absorbed Cassa di Risparmio di Rimini. For quite a few of these disputes the related proceedings before the competent Court of first instance have not yet started, whereas for the others litigation is underway. The Group believes that it has solid arguments against the claim made by the Agenzia delle Entrate and, therefore, no provision for this matter has been allocated.

Having regard to the disputes formerly involving Crédit Agricole Carispezia, which was absorbed in July 2019, it is reported that a dispute is still pending on the Italian Regional Tax on Productive Activities (IRAP) taxable base for the 2013 fiscal year, for an amount of tax, penalties and interest claimed totalling Euro 0,177 million. As regards this claim, in July 2019, the competent Tax Commission of first instance issued its ruling in favour of Crédit Agricole Italia.

A claim of the same type was lodged in October 2019 regarding also the 2014 tax year for which Crédit Agricole Italia, in in its capacity as the surviving entity after the merger by absorption, was served a verification notice claiming tax, penalties and interest for a total of Euro 0.236 million, which was appealed against.
As solid arguments proving the lawfulness of Crédit Agricole Italia's doings, which were upheld also by the favourable first instance ruling, this claim has not been provisioned for.

Section 12 – Parent Company Shareholders' Equity – Items 110, 130, 140, 150, 160, 170 and 180

12.1 SHARE CAPITAL AND TREASURY SHARES: BREAKDOWN

The Parent Company's share capital, fully paid in, consists of 979,233,295 ordinary shares.

No treasury shares were held as at the reporting date.

12.2 SHARE CAPITAL – NUMBER OF SHARES: CHANGES FOR THE YEAR

Items/Types	Ordinary	Other
A. Shares – opening balance	**962,672,153**	-
- fully paid in	962,672,153	-
- partially paid in	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**962,672,153**	-
B. Increases	**16,561,142**	-
B.1 New issues	16,561,142	-
- for a consideration:	16,561,142	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	21,411	-
- other	16,539,731	-
- free of charge:	-	-
- to Employees	-	-
- to Directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of businesses	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**979,233,295**	-
D.1 Treasury shares (+)	-	-
D.2 Shares – closing balance	-	-
- fully paid in	-	-
- partially paid in	-	-

12.3 SHARE CAPITAL: OTHER INFORMATION

The unit nominal value of the 979,233,295 ordinary shares is Euro 1.

12.4 RETAINED EARNINGS RESERVES: OTHER INFORMATION

Items/Types	Amounts
Legal reserve	176,950
Reserves provided for by the Articles of Association	683,627
Reserve pursuant to Art. 13 of It. Leg. D. 124/93 (*)	314
Extraordinary reserve of undistributable dividends on treasury shares	5
Reserve for business combinations under common control	549
Reserve for interest on Additional Tier 1 Instruments	-91,802
Merger surplus	543,691
Reserve from the sale of financial assets at fair value through other comprehensive income without recycling	2,898
Carim IAS 19 revised first-time adoption reserve	-305
Retained earnings reserves	1,315,927
Reserve from share-based payments (**)	2,823
Total reserves	**1,318,750**

(*) Reserve pursuant to Article 13 of Italian Legislative Decree. no. 124/1993 to take advantage of tax relief on the portions of Employee severance benefits to be used for supplementary pension schemes

(**) Reserve recognizing the increase in equity resulting from payments based on shares of the controlling company Crédit Agricole SA. made to Employees and Directors

12.5 EQUITY INSTRUMENTS: BREAKDOWN AND CHANGES FOR THE YEAR

Capital instruments came to Euro 715 million and underwent no changes in the year.

Other information

1. Commitments and financial guarantees given (other than those designated at fair value)

	Notional value on commitments and financial guarantees given			Total 31.12.2019	Total 31.12.2018
	Stage 1	Stage 2	Stage 3		
Commitments to disburse funds	**1,009,307**	**24,078**	**56,872**	**1,090,257**	**544,613**
a) Central Banks	-	-	-	-	-
b) Public administration bodies	10,632	-	-	10,632	5,652
c) Banks	5,827	-	-	5,827	7,506
d) Other financial companies	186,823	82	635	187,540	157,332
e) non-financial corporations	730,843	11,624	53,797	796,264	288,763
f) Households	75,182	12,372	2,440	89,994	85,360
Financial guarantees given	**2,133,218**	**64,142**	**55,486**	**2,252,846**	**1,907,261**
a) Central Banks	-	-	-	-	-
b) Public administration bodies	1,975	8	-	1,983	1,134
c) Banks	538,838	1,815	6,241	546,894	385,412
d) Other financial companies	66,379	13,011	212	79,602	71,567
e) non-financial corporations	1,436,548	45,298	48,509	1,530,355	1,373,815
f) Households	89,478	4,010	524	94,012	75,333

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount as at 31.12.2019	Amount as at 31.12.2018
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	165,246	161,250
3. Financial assets measured at amortized cost	9,668,057	6,939,310
4. Property, Plant and Equipment	-	-
- of which: property, plant and equipment inventories	-	-

4. Management and intermediation services

Type of services	Amount
1. Trading on behalf of customers	-
a) Purchases	-
1. settled	-
2. not yet settled	-
b) Sales	-
1. settled	-
2. not yet settled	-
2. Portfolio management	1,018,013
3. Custody and administration of securities	60,338,453
a) Third-party securities on deposit held for depository bank services (excluding asset management)	-
1. Securities issued by the reporting Bank	-
2. other securities	-
b) securities of third parties on deposit (excluding asset management): other	27,089,927
1. Securities issued by the reporting Bank	736,743
2. other securities	26,353,184
c) third-party securities deposited with third parties	26,505,210
c) own securities deposited with third parties	6,743,316
4. Other transactions	-

5. Financial assets subject to offsetting or subject to master netting agreements or similar arrangements

Technical forms	Gross amount of financial assets (a)	Amount of financial liabilities offset (b)	Net amount of financial assets recognized (c=a-b)	Related amounts not subject to offsetting		Net amount (f=c-d-e) 31.12.2019	Net amount 31.12.2018
				Financial Instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	726,436	-	726,436	419,800	265,498	41,138	24,196
2. Repurchase agreements	426,400	-	426,400	-	-	426,400	634,470
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31 Dec. 2019	**1,152,836**	**-**	**1,152,836**	**419,800**	**265,498**	**467,538**	**X**
Total 31 Dec. 2018	**1,124,651**	**-**	**1,124,651**	**444,984**	**21,001**	**X**	**658,666**

6. Financial liabilities subject to offsetting or subject to master netting agreements or similar arrangements

Technical forms	Gross amount of financial liabilities (a)	Amount of financial assets offset (b)	Net amount of financial assets recognized (c=a-b)	Related amounts not subject to offsetting		Net amount (f=c-d-e) 31.12.2019	Net amount 31.12.2018
				Financial Instruments (d)	Cash deposits as collateral (e)		
1. Derivatives	481,037	-	481,037	419,800	-	61,237	43,387
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31 Dec. 2019	**481,037**	**-**	**481,037**	**419,800**	**-**	**61,237**	**X**
Total 31 Dec. 2018	**488,371**	**-**	**488,371**	**444,984**	**-**	**X**	**43,387**

IFRS 7 requires specific disclosure on financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or that may be potentially offset, upon occurrence of specific conditions, but are recognised in the Balance Sheet without any netting as they are governed by “master netting agreements or similar arrangements” that do not comply with all the requirements laid down by IAS 32 paragraph 42

As regards instruments that may potentially be offset, at the occurrence of certain events, and to be reported in tables 5 and 6, it is pointed out that, for transactions in OTC derivatives, the Crédit Agricole Italia Banking Group has signed bilateral netting agreements (ISDA) with market counterparties, whereby, when certain conditions are met, claims and obligations relating to financial derivatives may be offset. Furthermore, the Crédit Agricole Italia Banking Group signed Credit Support Annexes (CSA) to the ISDA agreements providing for the exchange of collateral with the counterparties in order to reduce net exposure.

In order to prepare the tables and in accordance with IFRS 7 and with the new regulations on Banks’ financial statements, it is reported that:

- The effects of the potential offsetting of the balance sheet values of financial assets and liabilities are reported in column (d) “Financial instruments”;
- The related cash collaterals are presented in column (e) “Cash deposits pledged as collateral”;
- Transactions in derivatives are recognized at fair value.

These effects are calculated for each master netting agreement, to the extent of the exposure stated in column (c).

Based on the preparation methods described above, thanks to the netting agreements and the related collateral, the credit/debt exposure to the counterparties can be significantly reduced, as shown in column (f) “Net amount”.

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interests – Items 10 and 20

1.1 INTEREST AND SIMILAR INCOME: BREAKDOWN

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31.12.2019	Total 31.12.2018
1. Financial assets measured at fair value through profit or loss	81	-	-	81	598
1.1 Financial assets held for trading	81	-	-	81	598
1.2 b. Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	29,472	-	X	29,472	45,043
3. Financial assets measured at amortized cost	52,982	697,166	-	750,148	682,316
3.1 Due from banks	-	14,503	X	14,503	9,760
3.2 Loans to customers	52,982	682,663	X	735,645	672,556
4. Hedging derivatives	X	X	(37,021)	(37,021)	(49,306)
5. Other assets	X	X	4,949	4,949	2,259
6. Financial liabilities	X	X	X	18,974	18,989
Total	**82,535**	**697,166**	**(32,072)**	**766,603**	**699,899**
of which: interest income on impaired financial assets	-	37,419	-	37,419	49,186
of which: interest income on finance leases	-	-	-	-	-

The sub-item “Financial liabilities” reports, as to Euro 17,033 million, interest accrued on the funding from the ECB consisting of TLTRO II loans taken.

1.2 INTEREST AND SIMILAR INCOME: OTHER INFORMATION

1.2.1 Interest income on foreign-currency financial assets

As at 31 December 2019, interest income on foreign-currency financial assets came to Euro 6,600 thousand.

1.3 INTEREST AND SIMILAR EXPENSES: BREAKDOWN

Items/Technical forms	Due and payables	Securities	Other transactions	Total 31.12.2019	Total 31.12.2018
1. Financial liabilities measured at amortized cost	(59,548)	(85,308)	-	(144,856)	(167,180)
1.1 Due to central banks	(6,342)	X	X	(6,342)	(13,455)
1.2 Due to banks	(27,481)	X	X	(27,481)	(28,732)
1.3 Due to customers	(25,725)	X	X	(25,725)	(34,317)
1.4 Debt securities issued	X	(85,308)	X	(85,308)	(90,676)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(364)	(364)	(620)
5. Hedging derivatives	X	X	191,536	191,536	185,035
6. Financial assets	X	X	X	(4,361)	(9,021)
Total	**(59,548)**	**(85,308)**	**191,172**	**41,955**	**8,214**
of which interest expense for lease liabilities	(3,386)	-	-	(3,386)	-

1.4 INTEREST AND SIMILAR EXPENSES: OTHER INFORMATION

1.4.1 Interest expense on foreign-currency financial liabilities

As at 31 December 2019, interest expense on foreign-currency financial liabilities came to Euro 2,618 thousand.

1.5 DIFFERENCES ON HEDGING TRANSACTIONS

Items	31.12.2019	31.12.2018
A. Positive differences on hedging transactions	262,788	253,671
B. Negative differentials on hedging transactions	(108,273)	(117,941)
C. Balance (A-B)	**154,515**	**135,730**

Section 2 – Fees and Commissions – Items 40 and 50

2.1 FEE AND COMMISSION INCOME: BREAKDOWN

Type of services/Values	Total 31.12.2019	Total 31.12.2018
a) guarantees given	17,857	15,614
b) credit derivatives	-	-
c) management, intermediation and advisory services:	490,342	421,145
1. trading in financial instruments	-	-
2. foreign exchange trading	3,831	3,459
3. portfolio management	8,534	10,087
4. custody and administration of securities	4,331	4,087
5. depositary bank services	-	-
6. placement of securities	166,444	142,451
7. receipt and transmission of orders	10,749	8,511
8. advisory services	25,445	26,049
8.1 on investments	190	123
8.1 on financial structure	25,255	25,926
9. distribution of third-party services	271,008	226,501
9.1. asset management	454	-
9.1.1. individual	454	-
9.1.2. collective	-	-
9.2 insurance products	236,284	195,864
9.3. other products	34,270	30,637
d) collection and payment services	51,264	45,447
e) servicing activities for securitizations	-	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) management of multilateral trading facilities	-	-
i) keeping and managing current accounts	184,261	158,931
j) other services	66,188	69,231
Total	**809,912**	**710,368**

Sub-item "j) other services" mainly reports acquiring fees and commissions on debit and credit cards and on e-money services amounting to Euro 35,592 thousand and fees and commissions for loans granted amounting to Euro 5,709 thousand.

2.2 FEE AND COMMISSION INCOME: DISTRIBUTION CHANNELS FOR PRODUCTS ANS SERVICES

Channels/Values	Total 31.12.2019	Total 31.12.2018
a) At own branches:	**445,986**	**379,039**
1. asset management	8,534	10,087
2. placement of securities	166,444	142,451
3. third party products and services	271,008	226,501
b) Off-premises distribution:	-	-
1. asset management	-	-
2. placement of securities	-	-
3. third party products and services	-	-
c) other distribution channels:	-	-
1. asset management	-	-
2. placement of securities	-	-
3. third party products and services	-	-
Total	**445,986**	**379,039**

2.3 FEE AND COMMISSION EXPENSES: BREAKDOWN

Services/Values	Total 31.12.2019	Total 31.12.2018
a) guarantees received	(14,400)	(11,119)
b) credit derivatives	-	-
c) management and intermediation services:	(7,384)	(6,864)
1. trading in financial instruments	(1,501)	(1,461)
2. foreign exchange trading	(3)	-
3. asset management:	(2,026)	(1,991)
3.1 own portfolio	-	-
3.2 third-party portfolio	(2,026)	(1,991)
4. custody and administration of securities	(1,123)	(1,326)
5. placement of financial instruments	(2,731)	(2,086)
6. off-premises distribution of financial instruments, products and services	-	-
d) collection and payment services	(2,731)	(2,962)
e) other services	(14,157)	(13,291)
Total	**(38,672)**	**(34,236)**

Sub-item “j) other services” mainly reports fees and commissions on debit and credit cards and e-money services amounting to Euro 8,148 thousand.

Section 3 – Dividends and similar income – Item 70

3.1 DIVIDENDS AND SIMILAR INCOME: BREAKDOWN

Items/Revenues	Total 31.12.2019		Total 31.12.2018	
	Dividend income	Similar income	Dividend income	Similar income
A. Financial assets held for trading	9	214	260	66
B. Other financial assets mandatorily measured at fair value	933	-	111	-
C. Financial assets measured at fair value through other comprehensive income	10,188	-	11,842	-
D. Equity investments	44,060	-	55,962	-
Total	**55,190**	**214**	**68,175**	**66**

The main dividends for the year referred to the controlling equity investment in Crédit Agricole FriulAdria (Euro 44,060 thousand) to the shareholding in the Bank of Italy, which was classified in the “Financial assets measured at fair value through other comprehensive income” portfolio (Euro 8,856 thousand).
Income referred to the units of O.I.C.R. collective investment undertakings held.

Section 4 – Net profits (losses) on trading activities – Item 80

4.1 NET PROFITS (LOSSES) ON TRADING ACTIVITIES: BREAKDOWN

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets held for trading	-	731	(224)	(174)	333
1.1 Debt securities	-	283	(1)	(17)	265
1.2 Equity securities	-	-	-	-	-
1.3 Units of O.I.C.R. collective investment undertakings	-	99	(223)	-	(124)
1.4 Loans	-	-	-	-	-
1.5 Other	-	349	-	(157)	192
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Due and payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: foreign exchange differences	X	X	X	X	5,470
4. Derivatives	34,970	35,569	(34,741)	(29,405)	6,833
4.1 Financial derivatives:	34,970	35,569	(34,741)	(29,405)	6,833
- On debt securities and interest rates	34,324	35,303	(34,304)	(29,158)	6,165
- On equity securities and equity indices	197	-	-	-	197
- On foreign exchange and gold	X	X	X	X	440
- Other	449	266	(437)	(247)	31
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	X	X	X	X	-
Total	**34,970**	**36,300**	**(34,965)**	**(29,579)**	**12,636**

Section 5 – Net profits (losses) on hedging activities – Item 90

5.1 NET PROFITS (LOSSES) ON HEDGING ACTIVITIES: BREAKDOWN

Income components/Values		Total 31.12.2019	Total 31.12.2018
A.	Gain on:		
A.1	Fair value hedges	412,236	219,697
A.2	Hedged financial assets (fair value)	137,573	47,537
A.3	Hedged financial liabilities (fair value)	3,113	64,373
A.4	Cash flow hedges	-	-
A.5	Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)		**552,922**	**331,607**
B.	Loss on:		
B.1	Fair value hedges	(247,641)	(165,032)
B.2	Hedged financial assets (fair value)	(11,612)	(26,110)
B.3	Hedged financial liabilities (fair value)	(302,457)	(147,538)
B.4	Cash flow hedges	-	-
B.5	Assets and liabilities in foreign currencies	-	-
Total expenses on hedging activities (B)		**(561,710)**	**(338,680)**
C.	**Net profit (loss) on hedging activities (A – B)**	**(8,788)**	**(7,073)**
of which: gains (losses) on hedges of net positions		-	-

Section 6 – Profits (losses) on disposal/repurchase – Item 100

6.1 PROFITS (LOSSES) ON DISPOSAL/REPURCHASE: BREAKDOWN

Items/Income components	Total 31.12.2019			Total 31.12.2018		
	Profits	Losses	Net Profit (loss)	Profits	Losses	Net Profit (loss)
A. Financial Assets						
1. Financial assets measured at amortized cost	2,404	(13,955)	(11,551)	58,460	(64,883)	(6,423)
1.1 Due from banks	-	-	-	366	-	366
1.2 Loans to customers	2,404	(13,955)	(11,551)	58,094	(64,883)	(6,789)
2. Financial assets measured at fair value through other comprehensive income	13,293	(10,417)	2,876	16,682	(2,735)	13,947
2.1 Debt securities	13,293	(10,417)	2,876	16,682	(2,735)	13,947
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**15,697**	**(24,372)**	**(8,675)**	**75,142**	**(67,618)**	**7,524**
B. Financial liabilities measured at amortized cost						
1. Due to banks	-	-	-	-	-	-
2. Due to Customers	-	-	-	-	-	-
3. Debt securities issued	223	(365)	(142)	773	(515)	258
Total liabilities (B)	**223**	**(365)**	**(142)**	**773**	**(515)**	**258**

Section 7 – Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss – Item 110

7.2 NET CHANGE IN VALUE OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES MANDATORILY MEASURED AT FAIR VALUE

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets	-	20	(154)	-	(134)
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	20	(154)	-	(134)
1.3 Units of collective investment undertakings	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: foreign exchange differences	X	X	X	X	-
Total	**-**	**20**	**(154)**	**-**	**(134)**

Section 8 – Net impairment losses/recoveries for credit risk – Item 130

8.1 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN

Transactions/income components	Losses (1)			Recoveries(2)		Total 31.12.2019	Total 31.12.2018
	Stage 1 and stage 2	Stage 3		Stage 1 and stage 2	Stage 3		
		Write-off	Other				
	(1,950)	-	-	1,295	-	(655)	(415)
A. Due from Banks	(1,950)	-	-	1,295	-	(655)	(415)
- Loans	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-
of which: POCI	**(87,103)**	**(17,723)**	**(243,895)**	**88,288**	**78,425**	**(182,008)**	**(185,689)**
B. Loans to customers	(86,159)	(17,723)	(243,895)	88,240	78,425	(181,112)	(184,735)
- Loans	(944)	-	-	48	-	(896)	(954)
- Debt securities	-	-	-	-	-	-	-
of which: POCI	**(89,053)**	**(17,723)**	**(243,895)**	**89,583**	**78,425**	**(182,663)**	**(186,104)**
Total							

8.2 NET ADJUSTMENTS FOR CREDIT RISK OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN

Transactions/income components	Losses (1)			Recoveries (2)			
	Stage 1 and stage 2	Stage 3		Stage 1 and stage2	Stage 3	Total 31.12.2019	Total 31.12.2018
		Write-off	Other				
A. Debt securities	(991)	-	-	-	-	(991)	(579)
B. Loans	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-
of which: POCI	-	-	-	-	-	-	-
Total	**(991)**	**-**	**-**	**-**	**-**	**(991)**	**(579)**

Section 9 – Profits/losses on contract modifications without derecognition – Item 140

9.1 PROFITS (LOSSES) ON CONTRACT MODIFICATIONS: BREAKDOWN

Losses on contract modifications came to Euro 3,226 thousand.

This item reports the impacts resulting from contract modifications on medium/long-term loans to customers, which, since they do not classify as substantial in accordance with IFRS 9, do not entail derecognition of the assets, but recognition in the Income Statement of the modifications made to contractual cash flows.

Section 10 – Administrative expenses – Item 160

10.1 PERSONNEL EXPENSES: BREAKDOWN

Type of expense/Values	Total 31.12.2019	Total 31.12.2018
1) Employees	(572,188)	(531,243)
a) wages and salaries	(411,803)	(372,615)
b) social security contributions	(108,584)	(98,411)
c) severance benefits	(157)	(562)
d) pensions	-	-
e) allocation to employee severance benefit provision	(664)	(1,038)
f) allocation to provision for post-employment and similar obligations:	(390)	(371)
- defined-contribution	-	-
- defined-benefit	(390)	(371)
g) payment to external supplementary pension schemes:	(36,794)	(33,390)
- defined-contribution	(36,794)	(33,390)
- defined-benefit	-	-
h) costs from share-based payment agreements	-	-
i) other employee benefits	(13,796)	(24,856)
2) Other staff	(316)	(1,049)
3) Directors and Auditors	(1,582)	(1,589)
4) Retired personnel	-	-
5) Expense recovery for employees seconded to other companies	15,512	12,731
6) Expense refund for third parties' employees seconded to the company	(9,366)	(12,307)
Total	**(567,940)**	**(533,457)**

10.2 AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY

	31.12.2019
Employees:	7,156
a) Senior Managers	93
b) Junior Managers	3,309
c) other Employees	3,754
Other staff	35

10.3 COMPANY DEFINED-BENEFIT PENSION PLANS: COSTS AND REVENUES

Type of expenses/Values	31.12.2019	31.12.2018
Provision for the period	-	-
Changes due to passing of time	(390)	(371)

10.4 OTHER EMPLOYEE BENEFITS

These mainly consisted of the cost for the voluntary redundancy plan (Solidarity Fund) allocated in 2019, voluntary redundancy incentives, non-occupational policies and benefits to employees, as well as the contribution to the bank employees' cultural and recreational club.

10.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

Type of expense/Values	31.12.2019	31.12.2018
Direct and indirect taxes	(99,840)	(92,898)
IT services, data processing	(18,534)	(25,268)
Facility rental and management	(9,567)	(39,987)
Expenses for advisory services	(19,889)	(19,792)
Mail, telegraph and delivery services	(117)	(1,571)
Telephone and data transmission	(2,570)	(2,645)
Legal expenses	(8,409)	(8,152)
Property maintenance	(3,679)	(2,607)
Furnishing and plant maintenance	(786)	(1,759)
Marketing, promotion and entertainment expenses	(12,842)	(11,902)
Transport services	(1,951)	(6,195)
Lighting, heating and air conditioning	(11,775)	(10,234)
Printed material, stationery and consumables	(1,193)	(1,805)
Staff training expenses and reimbursements	(9,797)	(9,101)
Security services	(50)	(653)
Information and title searches	(3,920)	(4,446)
Insurance premiums	(151,082)	(137,628)
Cleaning services	(254)	(1,196)
Leasing of other property, plant and equipment	(2,100)	(3,765)
Management of archives and document handling	-	(50)
Reimbursement of costs to Group companies	(235,526)	(203,114)
Contributions to support the banking system	(34,051)	(31,052)
Sundry expenses	(12,314)	(20,160)
Total	**(640,246)**	**(635,980)**

IFRS 16 entered into force and applies to reporting periods starting on or after 1 January 2019; it requires lease costs to be recognized with a different method. For more exhaustive reporting on the first-time adoption of IFRS 16, please refer to paragraph 1.2 Transition to IFRS 16 "Leases" in the Note to the financial statements.

Section 11 – Net provisions for risks and charges – Item 170

11.1 NET PROVISIONS FOR CREDIT RISK ON COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN BREAKDOWN

The "Net provisions for credit risk on commitments and guarantees given" item came to Euro 3,207 thousand.

11.2 NET PROVISIONS FOR OTHER COMMITMENTS AND OTHER GUARANTEES GIVEN: BREAKDOWN

As at 31 December 2018, there were no provisions for other commitments and guarantees given.

11.3 NET PROVISIONS FOR OTHER RISKS AND CHARGES: BREAKDOWN

The “Net provisioning for risks and charges” item for 2019 reports a negative mismatch of Euro 8,170 thousands, because of higher provisioning for risks of revocatory actions and disputes totalling Euro 7,977 thousand.

Section 12 – Net adjustments of/recoveries on property, plant and equipment – Item 180

12.1 NET VALUE ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN

Assets/Income components	Depreciation (a)	Impairment losses (b)	Recoveries/ writebacks (c)	Net profit (loss) (a + b - c)
A. Property, plant and equipment:				
1. Operating assets	(52,987)	-	-	(28,277)
- owned	(25,906)	-	-	(25,906)
- rights of use acquired with leases	(27,081)	-	-	(2,371)
2. Investment property	(3,308)	-	-	(28,018)
- owned	(1,215)	-	-	(1,215)
- rights of use acquired with leases	(2,093)	-	-	(26,803)
3 Inventories	X	-	-	-
Total	**(56,295)**	**-**	**-**	**(56,295)**

The table reports Euro 29,174 thousand worth of depreciation of rights of use recognized under property, plant and equipment in the balance sheet subsequent to the first-time adoption, for the reporting period starting on 1 January 2019, of IFRS 16, as exhaustively described in Part A Accounting Policies.

Section 13 – Net adjustments of/recoveries on intangible assets – Item 190

13.1 NET VALUE ADJUSTMENTS OF INTANGIBLE ASSETS: COMPOSITION

Assets/Income components	Amortization (a)	Impairment losses (b)	Recoveries/ writebacks (c)	Net profit (loss) (a + b - c)
A. Intangible assets				
A.1 Owned	(24,935)	-	-	(24,935)
- Internally generated	-	-	-	-
- Other	(24,935)	-	-	(24,935)
A.2 Rights of use acquired with leases	-	-	-	-
Total	**(24,935)**	**-**	**-**	**(24,935)**

Section 14 – Other operating expenses and income – Item 200

14.1 OTHER OPERATING EXPENSES: BREAKDOWN

Type of expense/Values	31.12.2019	31.12.2018
Expenses for finance lease transactions	-	-
Currency/monetary adjustments	-	-
Integration and reorganization expenses	-	-
Amortization of expenditure for leasehold improvements	(6,881)	(7,300)
Other expenses	(8,316)	(12,170)
Total	**(15,197)**	**(19,470)**

14.2 OTHER OPERATING INCOME: BREAKDOWN

Type of expense/Values	31.12.2019	31.12.2018
Rental income and recovered expenses on real estate	4,159	3,619
Income from finance lease contracts	-	-
Revenues from securitizations	-	-
Recovery of rental expenses	-	-
Taxes and levies recovered	85,602	79,517
Insurance costs recovered	148,093	135,773
Other expenses recovered	5,301	5,269
Service recovery	10,525	14,799
Other income	8,958	17,960
Total	**262,638**	**256,937**

Section 15 – Profits (losses) on equity investments – Item 220

15.1 PROFITS (LOSSES) ON EQUITY INVESTMENTS: BREAKDOWN

Income components/Values	Total 31.12.2019	Total 31.12.2018
A. Income	12,836	8,839
1. Revaluations	-	-
2. Profits on disposal	-	10
3. Recoveries/writebacks	-	-
4. Other income	12,836	8,829
B. Expenses	(40)	(1,429)
1. Writedowns	-	-
2. Losses on impairment	(30)	(1,120)
3. Losses on disposal	(10)	(309)
4. Other expenses	-	-
Net profit (loss)	**12,796**	**7,410**

The “Other income” item reports Euro 12,522 thousand worth of the adjustment price for the sale, made in 2012, of the equity investment in CA Vita to Crédit Agricole Assurances and Euro 314 thousand worth of the adjustment price for the sale, made in 2015, of the shares in CA Agro-Alimentare S.p.A. to CACIF. The “Losses on impairment” item came to Euro 30 thousand and reports the impairment of Sliders S.r.l. The “Losses on disposal” item reports the loss resulting from the liquidation of the equity investment in in Italstock S.r.l.

Section 18 – Profits (losses) on disposal of investments – Item 250

18.1 PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS: BREAKDOWN

Income component/Values	Total 31.12.2019	Total 31.12.2018
A. Real estate	283	104
- Profits on disposal	283	104
- Losses on disposal	-	-
B. Other assets	(22)	(2)
- Profits on disposal	2	6
- Losses on disposal	(24)	(8)
Net profit (loss)	**261**	**102**

Section 19 -Taxes on income from continuing operations – Item 270

19.1 TAXES ON INCOME FROM CONTINUING OPERATIONS: BREAKDOWN

Income components/Values	Total 31.12.2019	Total 31.12.2018
1. Current taxes (-)	(33,453)	(24,160)
2. Changes in current taxes for previous years (+/-)	-	871
3. Reduction in current taxes for the year (+)	635	221
3.bis Reduction in current taxes for the year for tax credits pursuant to Law No. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(79,391)	(62,854)
5. Change in deferred tax liabilities (+/-)	5,442	3,762
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(106,767)	(82,160)

19.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED

	31.12.2019
Income before taxes from continuing operations	409,338
Income from discontinued operations (before taxes)	-
Theoretical taxable income	**409,338**

	31.12.2019
Income taxes – Theoretical tax liability at the 27.5% ordinary rate	-112,568
- effect of tax-exempt income or income taxed at special rates	-
- effect of income already subject to taxation	-
- effect of expenses that are fully or partially non–deductible and income that is fully or partially non–taxable at 27.5% tax rate	32,955
Income tax – actual tax liability	-79,613
- use of excess tax provisioning in previous periods	-
- taxes for acceptance of assessment on foreign P/T	-
- substitute tax from realignment under Italian Decree Law 98/2011	-
- substitute tax from realignment of values under suspended taxation for tax-neutral transfers	-
effect of recovery of future taxes on realignment gain under Decree Law 98/2011	-
- effect of recovery of future taxes from realignment of values under suspended taxation for tax-neutral transfers	-
- effect of application for corporate income tax (IRES) refund for Italian Regional Tax on Productive Activities (IRAP) under DL 201/2011	-
- effect of tax credits and deduction	635
Effects of equity investments	-
Other costs	-
IRAP – Theoretical tax liability	-22,841
- effect of income/expenses that do not contribute to the taxable base	-68,118
- effect of other changes	63,170
- effect of change in the average tax rate	
IRAP – Actual tax liability	-27,789
Other taxes	-
Effects of equity investments	-
Other costs	-
Actual tax liability recognized	**-106,767**
of which: actual tax liability on continuing operations	-106,767
Actual tax liabilities on discontinued operations	**-**

Section 22 – Earnings per share

22.1 AVERAGE NUMBER OF ORDINARY SHARES OF DILUTED CAPITAL

The Bank’s share capital consists of 979,233,295 ordinary shares, with a nominal value of Euro 1 each.

PART D – COMPREHENSIVE INCOME

BREAKDOWN STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2019	31.12.2018
10.	Net Profit (Loss) for the period	302,571	252,124
Other comprehensive income not recycled to profit or loss:		**(8,938)**	**(16,464)**
20.	Equity securities designated at fair value through other comprehensive income	(6,095)	(438)
	a) Changes in fair value	(6,095)	2,067
	b) Transfers to other equity components (equity securities derecognized)	-	(2,505)
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
	a) Changes in fair value		
	b) Transfers to other equity components		
40.	Hedging of equity securities designated at fair value through other comprehensive income	-	-
	a) Changes in fair value (hedged item)	-	-
	a) Changes in fair value (hedging instrument)	-	-
50.	Property, Plant and Equipment	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	(6,701)	(22,088)
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of valuation reserves on equity investments measured using the equity method	-	-
100.	Income taxes for other comprehensive income not recycled to profit or loss	3,858	6,062
Other comprehensive income recycled to profit or loss		**70,575**	**(86,659)**
110.	Hedging of investments in foreign operations:	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
120.	Foreign exchange differences	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
	of which: gains (losses) on hedges of net positions	-	-
140.	Hedging instruments: (not designated elements)	-	-
	A) changes in value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	99,423	(122,963)
	a) changes in fair value	100,134	(116,215)
	b) reclassification to profit or loss	10,514	(12,519)
	- adjustments for credit risk	991	579
	- profit/losses on disposal	9,523	(13,098)
	c) other changes	(11,225)	5,771
160.	Non-current assets held for sale and discontinued operations	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
170.	Share of valuation reserve on equity investments measured with the equity method:	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	- impairment losses	-	-
	- profit/losses on disposal	-	-
	c) other changes	-	-
180.	Income taxes for other comprehensive income recycled to profit or loss	(28,848)	36,304
190.	**Total other comprehensive income**	**61,637**	**(103,123)**
200.	**Comprehensive income (10+190)**	**364,208**	**149,001**

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

PART E – INFORMATION ON RISKS AND RELATIVE HEDGING POLICIES

Section 1 – Credit Risk

Qualitative disclosures

1. GENERAL ASPECTS

The responsibilities for the lending operations of Crédit Agricole Italia have been assigned in compliance with the guidelines issued by the European Central Bank, which require the separation of the structures engaged in the management of performing loans from those in charge of the management of Non-Performing Exposures (NPEs).

The Credit Department is responsible for lending activities regarding the performing loan portfolio and past due positions (the latter falling within the management process of early warnings). This Department has the task of setting, consistently with the corporate strategies and objectives, the lending policy directions and the guidelines on taking and managing credit risk, coordinating their implementation by the relevant structures of Crédit Agricole Italia and of the Crédit Agricole Italia Banking Group.

This Credit Department has also the following responsibilities:
- To coordinate, fully respecting the independence of every Company of the Crédit Agricole Italia Banking Group, lending to ordinary Customers and to Customers entailing significant exposures;
- To set and oversee the implementation of the Crédit Agricole Italia Banking Group's strategies and guidelines pursuing effective control on the number of position becoming non-performing and the related cost, by steering the lending chain structures of the Companies of the Crédit Agricole Italia Banking Group and of the Distribution Channels.
- To define and promote, consistently with the Crédit Agricole Italia Banking Group's strategies and objectives, the appropriate standardization of lending governance rules;
- To verify, through appropriate operating control mechanisms, compliance with the lending directions and policies within the Group, ensuring their quality and monitoring the allocation of loans in terms of sectors and sizes.

The UTP Management Division reports to the Deputy General Manager in charge of Corporate Banking and is responsible for defining the NPE strategy for the Crédit Agricole Italia Banking Group reporting the related contents and developments to the NPE Committee, ensuring and coordinating constant interaction with Crédit Agricole S.A. and with the Supervisory Authorities as regards NPEs.

The UTP Management Division is responsible, as regards the relevant Customer perimeter, for ensuring management, recovery and/or out-of-court collection of non-performing exposures (except bad loans), in close contact and cooperation with the Network of Crédit Agricole Italia for prompt and effective action to prevent loan impairment, so that the relevant cost is kept under control. It is responsible for Customers, single ones and/or by Economic Group, in accordance with the specific "Limits to Decision-Making Powers" and with the specific guidelines set out in the "NPE Regulation" and in the applicable legislation and internal normative instruments (specifically, the "Non performing exposure – stage3" Policy).

The UTP Management Division is responsible, also through the structures of the Group's Banks reporting to this Division on a dotted line, for the following tasks:
- Monitoring compliance with the NPE strategy and its development throughout the Group;
- Coordinating the relations with the Crédit Agricole Group as regards NPEs, as well as managing the preparation of all NPE-related documentation and reporting to the Supervisory Authorities;
- Arranging for, in cooperation with the Bad Loans Division, the design and update of the NPE impairment policy, ensuring the use of harmonized models for lending processes and tools to manage NPEs;
- Ensuring, consistently with the Crédit Agricole Banking Group's strategies and objectives and through the structures reporting to this Division on a solid line, the appropriate harmonization of Models, tools and rules for Loan Management, as regards the positions within the Non-Performing Loans management process;

- Setting, steering and verifying, in cooperation with the Structures of the Crédit Agricole Italia Group's Banks reporting on a dotted line to this Division, the implementation of the Guidelines on the management, recovery and/or out-of-court collection of exposures classified as "NPEs" within its scope of responsibility.

The Bad Loans Division, which reports to the Recovery and Corporate Affairs Department, is responsible for the management, performance and credit quality of loans to Customers of the Crédit Agricole Italia Group's Banks and of Crédit Agricole Leasing Italia classified as bad.

It performs this responsibility within the specific "Limits to decision-making powers" set out in the "NPE Regulation" and in the applicable legislation and internal normative instruments.

The Bad Loans Division is responsible for:
- Steering the management of these exposures, providing the guidelines on the activities to be carried out by the structures reporting to it, and for ensuring coordination and operational efficiency;
- Overseeing the specific activities carried out by the structures reporting to it, and for determining, where the case, the technical-legal solutions to be implemented;
- Verifying and controlling that the structures reporting to it properly carry out the relevant activities, setting the specific benchmarks;
- Ensuring and coordinating that the relevant structures are constantly on top of any developments in the legislation and case law applying to the matters under their responsibility;
- Providing adequate reporting and regular briefs on all the Division activities to the Structure it directly reports to and the Top Officers;
- Overseeing proper management of the Division, training of its staff and of the staff of the structures reporting to it.

2. CREDIT RISK MANAGEMENT POLICIES

2.1 ORGANIZATIONAL ASPECTS

The present organizational arrangement (in place since 2018) ensures separation between the roles and structures responsible for managing Performing Loans and those in charge of managing Non Performing Exposures (NPEs).

As regards the performing loan portfolio, lending operations are carried out by the different dedicated structures of the Parent Company and of the Group Banks and investee Companies; these dedicated structures report on a solid and dotted line, respectively, to the Credit Department.

In 2019, some actions were decided and partly already started on the organizational structure of the credit supply chain, aimed at:
- Strengthening the separation between the roles and structures responsible for loan authorization and those engaged in commercial functions: now all the Network lending structures, both Retail and Corporate banking, report on a solid line to the Credit Department, while previously they reported on a solid line to the Commercial Channels; a similar action was implemented for Crédit Agricole FriulAdria;
- Focusing the Credit Department structures on credit risk assessment and on portfolio quality control, with the related operating activities centralized at and outsourced from a dedicated organizational unit of Crédit Agricole Group Solutions, seizing the opportunity to enhance internal flexibility and efficiency, also in view of future automation of operational processes;
- Strengthening the governance and management of the relevant loan portfolio through the new Credit Intelligence Division, which brings together in one structure responsibilities and skills that before were spread over several structures within the Credit Department;
- Strengthening management controls on customers with high risk profile and/or requiring high specialist skills, setting up dedicated structures within the Commercial Channels, called "Special Networks", at which the portfolio will progressively be centralized.

The Credit Department of Crédit Agricole Italia comprises four Divisions:

- The Loan Authorization Division is responsible for the performance and credit quality of Performing loans to Customers with no material non-performing signs (performing loans) and comprises Loan Authorization Services, each one of which specializes in assessing the loan proposals made by one of the Commercial channels (Corporate Banking, Retail Banking, Private Banking and Financial Advisors) or for specific "production chains", which represent economic activity sectors that are deemed very relevant within the Crédit Agricole Italia Banking Group's strategy, with specific regard to the agri-food sector;
- The Loan Management and Protection Division is responsible for the performance and credit quality of loans that show early warning, as per the adopted early-warning indicators, in order to pursue full recovery of the position and/or to design risk mitigation solutions.
- The Credit Advisory Division is responsible for the performance and quality of both "performing loans" and "loans with early warnings" originated by the Network: it is structured in local hubs in accordance with a proximity banking logic and to support Retail branches, specifically focusing on customers whose needs are not complex;
- The Credit Intelligence Division is responsible for supporting the Credit Department in defining the Credit strategic guidelines and in putting them in operation, with specific regard to Lending Policies, to the governance of apps and of the reporting system, to directing and monitoring projects the Credit Department is directly responsible for, as well as to loan performances.

The UTP Management Division is responsible for managing the UTP portfolio and reports directly to the Deputy General Manager in charge of Corporate Banking.

The Division is engaged in a management function and in a strategic one, with the respective activities carried out by two Services:

- The UTP Management Service, which is engaged in the management and has the specialist responsibility for the credit quality of the UTP portfolio;
- The NPE Strategy Service which is responsible for controlling the cost of credit, updating and monitoring the NPE strategy, as well as for the related reporting to the Control Bodies and to the Supervisory Authorities.

The similar structure of Crédit Agricole FriulAdria reports on a dotted line to the UTP Management Division.

2.2 MANAGEMENT, MEASUREMENT AND CONTROL

Lending policies and strategies

Lending policies laid down the standards and directions for the Crédit Agricole Italia Banking Group as a whole, which the Distribution Network and the Decision-making Bodies shall comply with to authorize and manage loans, to make lending proposals and decisions; lending policies are structured and updated in order to foster balanced growth with the worthiest Customers and to recover exposures to the riskiest ones. The Group's Lending Policies are regularly updated consistently with the developments in the economic, financial and market scenarios. Furthermore, the Lending Policies implement the guidelines set within the Risk Strategy, which is agreed on every year with the French Parent Company Crédit Agricole S.A., with specific regard to risk concentration limits and to the limits set for specific types of transactions.

Lending policies are differentiated based on the categories of Customers:

- Businesses;
- Individuals.

The lending policies for businesses pursue the following objectives:

- To set the credit risk management strategy based on the specific creditworthiness of each customer (counterparty);
- To set appropriate management guidelines in accordance with the risk profile and the growth prospects of the economic activity sector the customers operate in.

The Lending Policies for Individuals apply to natural persons (holders or co-holders of accounts) operating for purposes other than business ones and are structured based on counterparty risk and on the type of lending product applied for (especially home mortgage loans).

In 2019, the Lending Policies were updated pursuing the following goals:
- To revise the system of limits and decision-making powers aimed at its streamlining and at making it more consistent with the risk appetite and Risk Strategy targets;
- To further differentiate directions consistently with the specificities of the single sectors, counterparty type and credit facility type, with special focus on designing specific policies for structured finance transactions (i.e. leveraged buy-outs – LBO);
- To revise the metrics used to measure sector riskiness and full integration of external sector outlooks in order to further fine-tune the forward-looking attractiveness level.

These Policies are integrated within the decision-making system of the Electronic Loan Application Processing tool, which screens loan applications and sends them to the competent Decision-making Body, consistently with the system of decision-making powers in force.

Corporate Social Responsibility (CSR) and Environmental Social Governance (ESG) standards are an integral part of creditworthiness assessment. In that scope, in 2019 the first sustainability-linked loan was originated and granted to a leading player in the luxury goods industry. In that case, the Sustainability Term Loan has introduced a rewarding mechanism that links the cost of the loan to the achievement of ambitious sustainability goals (number of points of sale with Gold or Platinum LEED certification, number of hours of training provided to employees; use of Re-Nylon).

Lending processes

The present economic scenario requires the ability to select initiatives that deserve support in terms of lending, along with timeliness and effectiveness in monitoring and proactively managing risk exposures, as soon as the first early warnings are detected, in order to protect the overall credit quality of the loan portfolio and to keep the related management costs under control.

Lending processes are thoroughly defined and regulated by the internal procedures of the Crédit Agricole Italia Banking Group, in order to ensure adequate selection of borrowers, through exhaustive creditworthiness analyses, and, thus, to develop and support business with the most creditworthy Customers, while anticipating the management of any insolvency risk.

The Process for loan assessment and authorization uses the Internal Rating systems used by the Crédit Agricole Italia Banking Group, both to assess Customers' creditworthiness and to identify the Decision-making Body that has the responsibility and power to decide on the loan authorization.

The "Regulation on Performing Loans and Loans with Early Warnings" lays down the rules governing the authorization of loans to all applicants, in compliance with the regulations on corporate groups, and sets out the logics that have always guided credit risk assessment, namely:
- Classifying transactions based on their intrinsic riskiness, consistently with the set risk appetite;
- Structuring of authorization power brackets based on counterparty risk, in accordance with the internal rating systems used within the Crédit Agricole Italia Banking Group;
- Decision-making powers that are scaled up as the customer riskiness increases;
- Separation between the loan proposing structure and the body deciding on the loan authorization.

Furthermore, the "Regulation on Performing Loans and Loans with Early Warnings" sets out the characteristics of the loans that fall within the "Loans with early warnings" perimeter, as they show irregularities in their performance, which, if not fully solved, could lead to the deterioration of the risks taken by Crédit Agricole Italia. The tool used to identify these loans and to trigger the appropriate management processes is the early warning indicator (EWI) called Indicatore di Monitoraggio Andamentale (Performance Monitoring Indicator – IMA), which has been defined and is maintained in the functional requirements by the Risk Management and Permanent Controls Department, with the contribution given by the Credit Department.

The operation of the internal lending processes of the Crédit Agricole Italia Banking Group is outlines below.

The loan-granting process in force uses the risk assessment metrics based on the internal rating systems and sets the lending decision-making powers based on the Probability of Default assigned to the counterparty, which is reassessed at least once a year, as well as on the riskiness of the specific technical forms, also considering whether there are certain and enforceable guarantees. Therefore, the Group is fully compliant with the regulatory requirements on the use of the same tools and risk measurement techniques in loan authorization processes, in the measurement of the counterparties' creditworthiness and in the process to determine economic capital and capital requirements.

The loan authorization process is managed by the Company Information System, within the scope of a specific procedure ("Electronic Loan Application procedure – PEF"). In 2019, the activities continued for a specific project, which started in 2018, to develop a new Work flow, with the objective of strengthening the governance of loan authorization processes, as well as of enhancing their overall effectiveness and efficiency. The new tool is going to go live by the end of 2020.

In 2019, in cooperation between the Organization, Credit and Commercial structures, the activities for the development of tools and processes tailor-made for specific customer segments featuring high "manufacturing vocation", in order to increase the efficiency of analysis and assessment activities while improving both response time ("time to yes") and the quality of the lending decisions made:

- Full end-to-end integration of loan application processing, authorization and finalization of mortgage loans to individuals and the related supporting apps (Mortgage Loan Tool, the New Electronic Loan Application procedure (PEF) Assets and Mortgage Collaterals), pursuing industrialization of management workflows;
- Specific tools for the Retail SMEs segment, for both loan application processing and for loan authorization in case of non-complex needs ("Simple Credit"), which are fully integrated within the Electronic Loan Application Procedure app, as well as for supporting the acquisition of prospects featuring high potential and risk profiles that are consistent with the Crédit Agricole Italia Banking Group's risk appetite;
- New management workflow for current accounts and payment instruments, in order to control positions that are overlimit by small amounts.

The development and go-live of the aforementioned tools and processes are expected starting from 2020, within the Crédit Agricole Italia Banking Group's overall investment plan.

After the first loan authorization and, therefore, after the start of the lending relation, the borrowers' positions are subject to a periodic review process, within set limits and upon reporting and/or at the initiative of the structures concerned, both peripheral and central, in order to verify that the borrower and the relevant guarantors, where any, remain solvent, that they are able to generate cash flows adequate for debt servicing and that the requirements of any guarantees remain complied with (legal certainty, prompt realization and value consistency with the exposure).

The review of the borrower position shall lead to confirming, increasing or decreasing the loans granted or to their revocation in compliance with the contract provisions and/or to increasing the guarantees securing the exposure. Moreover, in some cases, the review of the loans is automatic, after assessing suitable and pre-set requirements in terms of counterparty riskiness, which shall be at modest levels.

In order to improve the quality of loan-authorization and loan-review processes, the "Expert System" shall apply to all Business Accounts. This tool supports the account manager in the loan application processing phase and is used to analyze and comment the Customer's income and financial situation, also forward-looking, as well as to make suggestions for further assessment, in order to provide the account manager with guidance in the talks with the representatives of the customer businesses.

The process for the monitoring and management of loans showing early warnings is steered by early warning indicators (the Performance Monitoring Indicator – IMA) that are updated on a monthly basis. This process has been fine-tuned over time in order to more accurately distinguish actual risk signals from the so-called "false alarms" and practical and prompt intervention lines are set, by which:

- The counterparties showing early warnings due to temporary difficulties can be restored to a performing status and, thus, the business relation can be retained;
- The exposures to counterparties showing structural non-performing signs can be reduced and/or mitigated and, thus, credit risk can be controlled;

- The combination of credit risk and profitability can be reviewed by amending the conditions applied.

The process for monitoring and managing loans with early warnings is also supported with a dedicated procedure, called "Electronic Management Procedure" or with the Italian acronym "PEG"; it is structured in well-defined process steps, with automatic workflow logic but with the possibility for the relevant staff to act on the strategies and action plans, in accordance with very clear roles and responsibilities. Thanks to the PEG procedure, the guidelines on loans showing early warnings have a single and clear direction, thus fostering harmonization of account managers' conducts, the monitoring of time frames and outcomes of the implemented actions, as well as adequate tracing of the management actions carried out on the single positions.

Cost of credit

The Crédit Agricole Italia Banking Group continued and strengthened its systematic control on the developments in the quality of the Loans-to-Customers Portfolio; specifically, it intensified monitoring on loan positions and made it even more selective, in order to ensure constant adequacy of recovery expectations in accordance with any changes affecting its counterparties.

The UTP Management Division is the owner of the process to determine, manage and monitor the cost of credit and ensures its overall consistency and all controls within the wider scope of oversight on the strategy for managing "Non-performing Loans". The management process comprises all the steps in the management of the cost of credit, from setting objectives within the NPE Strategy to verifying actual results, with the involvement of all the structures concerned.

The NPE Strategy Service within the UTP Management Division is responsible for progressive updating of the KPIs set out in the NPE Strategy and for reporting to the NPE Committee in order to define strategies and target KPIs.

Stress test

The credit risk monitoring strategy pursued in 2019 was fully consistent with that pursued in the previous year. The related controls were performed on all channels, focusing on the Corporate Banking Channel (SME/Mid and Large Corporate segments) and on the Retail Banking Channel (Small Business and Individuals sub-segments), as well as on Crédit Agricole Leasing Italia; also in 2019, the Real Estate portfolio was monitored with special care.

For each segment, specific indicators have been implemented, which are fit to assess the portfolio quality performance, to prevent risks resulting from the channel specific activities and to monitor risk diversification in loans and target thresholds on the ratings distribution over the loan portfolio.

The framework of thresholds and indicators for leveraged loans, which has already been set for the Leveraged Buy-Out (LBO) and Structured Loans for Acquisitions (SLfA), was completed in 2019 by setting a new threshold applying to Corporate banking contracts for Leveraged Loans (CLL).

Moreover, in order to define a reference framework for Stress Test exercises on the different risk scopes consistently with the guidelines issued by the Controlling Company Crédit Agricole S.A., since 2017 the Crédit Agricole Italia Banking Group has been implementing a specific policy (the Stress Test Policy), which was approved by the Board of Directors of Crédit Agricole Italia and then adopted by all the Companies of the Crédit Agricole Italia Banking Group. The Stress Test policy is updated and submitted to the Board of Directors for its validation on a yearly basis.

The Policy lays down the quantitative and qualitative techniques with which the Crédit Agricole Italia Banking Group assesses its vulnerability to exceptional but plausible events; they consist in measuring the impacts on profit or loss, on its financial position and on regulatory aspects generated by specific events (sensitivity analysis) or by combined changes in a set of economic and financial variables in adverse scenarios (scenario analysis). The policy lays down the stress test reference framework of the Crédit Agricole Italia Banking Group, as required by the new regulations issued by the Supervisory Authorities and defines the set of stress test exercises to be carried out in the year.

In 2019 the Group carried out the stress testing activities listed below:
- Stress testing on the budget and on the MTP (Budgétaire Stress Test). This exercise, which operated across the various corporate structures engaged in risk measurement and management, allowed a forward-looking analysis of the impact on the main income statement items (including the cost of credit) and on risk-weighted assets.
- The “Habitat” and “Agri-Pro” stress test exercises, aimed at assessing the impacts of adverse scenarios on the cost of credit and on risk-weighted assets for two specific sub-portfolios: exposures backed by residential real estate properties and exposures to small sole traders and farmers.

The estimated effects of the economic cycle on the PD allow future developments in risk-weighted assets and Expected Loss to be calculated by aggregation level, with the possibility to simulate and calculate separately the impacts in terms of changes in volumes and increase in risk. Moreover, as reported in the section on projects, the outcomes of the stress test exercises are taken into account within the definition and management of the Risk Appetite Framework.

Within the Internal Capital Adequacy Assessment Process (ICAAP), the Pillar II requirements were calculated in accordance with the methods defined by the French Parent Company Crédit Agricole s.a., which, as regard credit risk on the Retail portfolio, provide for the calculation of RWAs and thus capital requirements using point-in-time risk parameters consistently with the IFRS9 framework deployed to calculate impairment on performing loans.

The requirements stressed for credit risk, as expected by the Bank of Italy within the ICAAP, are calculated supplementing the ICAAP with the results obtained in the stress budgétaire exercise.

2.3 METHODS TO MEASURE EXPECTED LOSSES

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, coordinated by the 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. Credit risk is assessed using a forward-looking 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.

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

As already pointed out, these parameters have also been defined broadly based on the internal models used as part of the regulatory framework (where any), although they had to be adjusted in order to determine an ECL fully compliant with IFRS 9. Indeed, the standard requires a Point-in-Time analysis as at the reporting date, while taking account of the historical loss data and forward-looking macroeconomic data.

Therefore, based on the above, the accounting approach is different from the prudential framework, where analyses are multiyear and Through the Cycle to estimate the Probability of Default (PD); moreover, such analyses shall include the downturn in the estimate of the Loss Given Default (LGD), whereas this effect is not envisaged in the IFRS 9 LGD.

ECLs are calculated according to the type of product concerned, i.e. financial instruments or off-balance sheet instruments.

Expected credit losses are discounted at the Effective Internal Rate (EIR) determined upon initial recognition of the financial instrument.

The models and parameters used are backtested at least annually.

Multi-scenario calculation

To estimate the parameters used in calculating the forward-looking scenarios as at the end of 2019, consistently with the setting that has been followed since the first implementation, the weights applied to the forward-looking scenarios are those given by Crédit Agricole s.a. ECO structure, specialized in macroeconomic studies, and are the following:

- Baseline Scenario, 60%;
- Adverse Scenario, 25%;
- Stress Budgétaire Scenario 10%;
- Favorable Scenario, 5%;

In compliance with IFSR 9, the ECL is estimated weighting forward-looking scenarios; therefore, the various scenarios were weighted by their probability of occurrence, as given above. The favorable scenario accounts for a minority component of the macroeconomic outlook forecast; therefore, expectations lean more towards a conservative view of the economic situation, the adverse scenario and the Budget Stress (so-called Budgétaire) scenario, which entail a total weigh of 35%.

The main macroeconomic indicators taken into account to define the scenarios help in getting a clearer view of the forecasts made by ECO.

	Main macroeconomic indicators for 2020			
	Favorable	Central	Adverse	Adverse (bdgt.)
IT GDP	1.0%	0.4%	-0.1%	-0.3%
EU GDP	1.6%	1.2%	0.5%	0.4%
Industrial Production Index (IPI)	2.2%	1.5%	1.2%	-0.9%
Investments in Buildings	3.0%	2.4%	2.0%	1.8%
Investments in equipment	1.9%	1.8%	-2.0%	-2.2%
Public expenditure	0.4%	-0.4%	-0.4%	-0.4%

The main underlying assumptions are:

- For the favorable scenario, a de-escalation in the China-US trade war, the Italian government bond spreads getting back to normal, stronger growth both in Italy and in Europe driven by a recovery in investments;
- For the central scenario, continuing tensions between China and the US, with subsequent growth slowdown in Europe and growth rates close to zero in Italy;
- For the adverse scenario and the adverse (budget) scenario, a more marked escalation in international trade tensions, social tensions in France political instability in Italy fuelling uncertainty that discourages investments.

Scenario sensitivity analysis

The Crédit Agricole Italia Banking Group analyzed the sensitivity of the ECL estimate in accordance with the weights applied to the different macroeconomic scenarios given by the Crédit Agricole SA Group's ECO team, specialized in macroeconomic studies, which is reported in the "Multi-scenario calculation".

The highest weighting was associated with the different identified scenarios (i.e. favorable, central, adverse and adverse-budgétaire), each time zeroing the contribution given by the others to determining the forward-looking risk parameters and in this way assessing the marginal contribution given by each scenario to determining the final result.

Given the weighting of the difference scenarios (the so-called multi-scenario), based on the weighting set by Crédit Agricole s.a. ECO structure, specialized in macroeconomic studies, and the related percentage deviation from the "multi-scenario" used for the accounting ECL, the result of the sensitivity analysis on ECL may vary by about 6%.

2.4 CREDIT RISK MITIGATION TECHNIQUES

Within the Crédit Agricole Italia Banking Group, the mitigation of credit risk is pursued by entering into ancillary agreements or by adopting adequate tools and techniques designed to mitigate this risk.

Specific processes regulate the obtainment and management of guarantees, with clear definition of the relevant roles, responsibilities and controls. Close attention is paid to the adequacy of the rules and procedures for monitoring that the requirements of the guarantees remain complied with (legal certainty, prompt realization and value consistency with the exposure).

The standards for the appraisal of real estate properties securing the exposures of the Crédit Agricole Italia Banking Group are compliant with the Guidelines issued by the Italian Banking Association (ABI) in force at the relevant time, as they have been prepared in accordance with the recent regulatory principles "International Valuation Standards" (IVS) and "European Valuation Standards" (EVS).

In 2019, the Policies were revised in order to ensure full harmonisation of processes between the companies of the Group and to strengthen the related controls. The main changes resulting from this revision are:

- Full alignment to the «Policies on the Valuation of Real Estate Properties Securing Exposures» issued by the Italian Banking Association (ABI) in November 2018;
- Fine-tuning of the valuation method, which now provides for the entering of the minimum and maximum price figures published by the Real Estate Market Observatory of Agenzia delle Entrate, where available;
- Strengthening of the annual real estate surveillance process, defining types of valuation and frequency based on the type of exposure and property;
- Controls on compliance with the criteria laid down in the ABI Guidelines were extended to real estate valuations in the annual surveillance perimeter, setting precise standards for sample extraction;
- Crédit Agricole Leasing Italia's «Policies on Real Estate Valuation» were updated, for further harmonisation of processes across all the Companies of the Crédit Agricole Italia Banking Group.

In 2919, the project for the development of a new app also started; with the new app, the processes of qualification and valuation of property collateral will be managed automatedly through a single workflow, a single repository of all collaterals containing all the related information, thus allowing users to share the information set in real time, with considerable savings of time and operating costs.

3. NON-PERFORMING EXPOSURES

The UTP Management Service, part of the UTP Management Division, is responsible for managing non-performing exposures classified as Unlikely to pay (UTP).

This Division in in charge of out-of-court collection and/or full recovery of the exposures it manages, excluding the positions within the scope of outsourced collection services, consistently with the NPE strategy.

The Division manages relations with the Customers falling within its scope of responsibility with the objective of collecting the credit claims of Crédit Agricole Italia, promptly implementing all actions that are deemed the most suitable and effective towards borrowers.

In addition to periodic specific measurement of the recovery rates, the management of non-performing positions aims also at:

- Verifying whether the counterparty is capable of recovering financial health and, consequently, restoring the business and loan relationship. To this end, the Division is responsible for determining the scenario for collection forecast, specifically assuming the counterparty as a going concern (i.e. the exposure can be repaid with the cash flows generated by the counterparty as a going concern) or assuming the counterparty as a gone concern where the exposure can be collected only through the assets securing it as collaterals);
- Scheduling and monitoring loan workout plans agreed with Customers;
- Proactive participation in interbank work groups for debt restructuring and assessment of the proposed plans.

The Bad Loans Division is responsible for the management of non-performing exposures classified as "bad", through the two Services it comprises: The Bad Loans Management Service and the Reporting and Monitoring Service.

The mission of the Bad Loans Division is to protect the rights and claims of Crédit Agricole Italia and of the creditor Leasing Company dealing with defaulting borrowers, in compliance and consistently with the strategies and directions laid down in the NPE Strategy.

This mission is pursued managing bad exposures as follows:

- Implementing all possible actions in court and out of court, in order to achieve the best possible compromise between the highest possible collection and the shortest time to collection on these exposures;
- Ensuring organic management of all information on the most likely forward-looking repercussions on the income statement through the recognition of provisions for risks and allowances for losses on loans;
- Preparing and then updating, based on harmonized and standardized approaches, collection forecast in terms of probable collected amount and expected collection date, as well as conservative measurement of the existing guarantees and of those that can be reasonably be obtained in court.

3.1 MANAGEMENT STRATEGIES AND POLICIES

In accordance with the "Guidance to banks on non-performing loans" published in March 2017 by the European Central Bank (ECB), the Crédit Agricole Italia Banking Group designed its strategy for the management of non-performing loans, the "Crédit Agricole Italia Banking Group's 2018-2021 NPE Strategy", with the planning of the related KPIs, such as the weight of NPEs, the riskiness of the performing loan portfolio, the effectiveness of NPE recovery and the coverage ratio of the NPL portfolio.

The design of the NPE Strategy has provided for the following approach:

- Breakdown analysis of the loan portfolio and of the performance historical data of NPE management and collection by the Crédit Agricole Italia Banking Group;
- The positioning benchmark of the Crédit Agricole Italia Banking Group in the target market as regards KPIs (NPE Ratio, Coverage Ratio, Cost of Risk);
- Identification, based on the aforementioned analysis, of action drivers to strengthen the performances of the Crédit Agricole Italia Banking Group in terms of credit quality protection and improvement:
  - Management actions on the "loan recovery machine";
  - Initiatives aimed at increasing the NPE coverage ratio;
  - NPE deleveraging initiatives through tools and actions already developed by the Crédit Agricole Italia Banking Group (NPE sales on a portfolio and single name basis) also in order to reduce the average vintage of the NPE portfolio.

In 2019, the Group adopted its "Non Performing Exposures (NPE) – STAGE 3" Policy, which systematizes the entire regulatory framework as regards NPEs, thus with the objective of Revising and condensing in one instrument the internal rules for the identification, classification, management, assessment and recognition of non-performing exposures (NPE) , within essential continuity of management and assessment criteria (pending the entry into force of the forthcoming developments in the applicable legislation on the new definition of default).

Specifically, the Policy sets out the internal normative instruments for the assessment of Past Due, UTP and Bad Loans and, for each category, it governs the following scopes:

- Identification and classification methods;
- Criteria todetermine statutory impairment writedowns to be applied upon entry in that category;
- Discountrules to determine the present value in accordance with the estimated recoveryplan;
- Assessment method and criteria during the time of stay in that category;
- Conditions and methods for exit with migration between NPE categories.

For information on the technical-organizational procedures and on the methods used to manage and control the NPE portfolio, please, refer to the Note to the Financial Statements – Part A – Accounting Policies, section A.2 Part reporting on the main financial statement items "Impairment for credit risk".

Within the Group's global reduction objective, which was approved within the NPE Strategy, Crédit Agricole Italia's stock of defaulted exposures decreased from Euro 2,879 million (figure as at 31 December 2018) to Euro 2,823 million at the end of 2019. This allowed the gross NPE ratio to decrease from 7.6% to 6.9%,and the net NPE ratio from 3.8% to 3.4%, consistently with the NPE Strategy.

3.2 WRITE-OFF

The Bad Loans Management Division writes off bad loans after full recovery of the exposure or resumption of its amortization.

Furthermore, bad loans are written off with loan waiver subsequent to:
- Unilateral remission of the residual amount due, within authorized and executed settlement;
- Loan disposal.

Conversely, bad loans are written off also without loan waiver subsequent to:
- Loan uncollectibility, as proved or inferred, including the implementation of all possible affordable actions;
- Very marginal possibilities of collection.

In this case, the loan is fully or partially written off. These loans are written off in order not to keep, on the Balance Sheet, loans that, although still managed by the structures in charge of collection, are hardly likely to be recovered. The positions to be subject to this treatment must be identified – through a judgemental analysis- from among those that have both high vintage and high coverage.

3.3 PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI) FINANCIAL ASSETS

Considering that the Crédit Agricole Italia Banking Group did not purchase or originate credit-impaired exposures, the only POCI case applicable is that resulting from the business combination finalized on 21 December 2017 (the Fellini combination).

As regards the non-performing loans purchased within the Fellini combination (a net amount of approx. Euro 280 million), it is pointed out that the accounting treatment described above was implemented substantially by recognizing, under interest income on an accrual basis, the reversal effect of the lower values of non-performing loans within the Purchase Price Allocation. This approach has been deemed a reasonable approximation of the credit-adjusted effective interest rate, as the contractual interest rate is, in actual fact, supplemented by the higher yield resulting from the higher value assigned to the purchased loans.

As regards the accounting treatment of these assets and the related reporting, please refer to "A.2 – Part reporting on the main financial statement items".

4 RENEGOTIATED FINANCIAL ASSETS AND FORBORNE EXPOSURES

As regards the accounting treatment of these assets and the related reporting, please refer to "A.2 – Part reporting on the main financial statement items".

Forborne exposures are those for which "concessions" have been granted to a borrower that is experiencing or is about to experience difficulties in fulfilling his/her/its financial commitments ("financial difficulty").

Concessions consist in the following measures:
- Changes in the terms/conditions of an existing contract as regards which the borrower is not deemed able to comply with the set payments due to financial difficulties, which would not have been granted if the borrower had not been in financial difficulties;
- Total or partial refinancing of an existing contract as regards which the borrower is not deemed able to comply with the set payments due to financial difficulties, which would not have been granted if the borrower had not been in financial difficulties.

Starting from the definition given by the EBA in its "ITS" and following the guidelines issued by its French Parent Company CASA, the Crédit Agricole Italia Banking Group defined an internal algorithm whereby forborne exposures can be identified, also setting apart performing from non-performing ones.

While the Crédit Agricole Italia Banking Group uses a "by counterparty" approach to classify non-performing exposures, it classifies forborne positions with a "by individual credit facility" approach. An exposure shall be classified as forborne when:

- The counterparty is classified as performing at the time of contract modification and there were contractual repayment instalments s totally or partially past due by over 30 days at least once in the three months before its modification. The contracts meeting these features are classified as "forborne performing – probation period" and they are no longer considered forborne when all the conditions listed below are complied with:
  - The contract is considered performing;
  - At least two years have passed since the start of the probation period;
  - Regular payments were made for a more than considerable portion of the principal/interest due during at least one half of the probation period;
  - No one of the exposures to the same borrower is past due by more than 30 days at the end of the probation period.
- The counterparty is classified as defaulted at the time of contract modification. The contracts with a counterparty that is classified as non-performing at the time of contract modification are classified as "forborne non performing – cure period" for at least one year and kept in the Unlikely-to-Pay status. The contract shall be classified "forbearance performing – probation period" when all the following conditions are met:
  - At least one year has passed since the start of the cure period;
  - There are no late payments;
  - The counterparty has returned fully able to fulfil its credit obligations.

Having said that contract modifications made for business reasons or contract modifications that were provided for in the original contract are not included in the forbearance perimeter, in order to assess whether any "concession" exists, the adopted approaches require that the existence of a concession is identified when:

- The amortization schedule regarding a loan is suspended or modified in its original duration;
- The loan has be renegotiated;
- Several credit lines granted to a counterparty are closed and consolidated in a new loan;
- A real estate mortgage loan based on the project progress which has been partially disbursed to a counterparty classified in the perimeter of real estate players has a pre-amortization period of over 36 months.

Furthermore, an exposure may be classified in the forborne perimeter on a judgemental basis where the algorithm does not automatically detect the contract modification or the financial difficulties experienced by the borrower. In the same way, the concessions automatically detected by the algorithm may be excluded on a judgemental basis, where the account manager believes that the classification in the forborne perimeter is not consistent with the contract modification made and/or with the customer's financial situation.

An analysis of exposures referring to forborne assets measured at amortized cost is given below, separately reporting performing and non-performing ones.

Forborne performing exposures	**520,695**
Total performing	520,695
Forborne non-performing exposures	**1,279,274**
Total defaulted	1,279,274
Total	**1,799,969**

QUANTITATIVE DISCLOSURES

A. Credit quality

All financial assets are classified by credit quality with the exception of equity securities and units of O.I.C.R. collective investment undertakings.

The term "on-balance-sheet exposures" defines all on-balance-sheet financial assets consisting of due from banks or customers, irrespective of the accounting portfolio they are allocated to (measured at fair value through profit or loss, measured at fair value through other comprehensive income, measured at amortized cost, financial assets being divested).

"Off-balance-sheet exposures" include all financial transactions other than on-balance-sheet ones (guarantees given, commitments, derivatives) for which credit risk is taken, irrespective of the purpose of those transactions.

A.1 Performing and non-performing loans: amounts, value adjustments, changes, trend, breakdown by economic sector

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

Portfolio/quality	Bad loans	Unlikely-to-Pay	Non-performing past due exposures	Performing past-due exposures	Other performing exposures	Total
1. Financial assets measured at amortized cost	456,793	863,733	17,654	854,509	48,788,942	50,981,631
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,478,066	2,478,066
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets being divested	-	-	-	-	-	-
Total 31 Dec. 2019	**456,793**	**863,733**	**17,654**	**854,509**	**51,267,008**	**53,459,697**
Total 31 Dec. 2018	**452,915**	**908,184**	**28,606**	**852,263**	**47,789,529**	**50,031,497**

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross and net values)

Portfolio/quality	Non-performing				Performing			
	Gross exposure	Total adjustments	Net exposure	Total partial write-offs*	Gross exposure	Total adjustments	Net exposure	Total (net exposure)
1. Financial assets measured at amortized cost	2,823,201	1,485,020	1,338,181	24,246	49,825,470	182,020	49,643,450	50,981,631
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,481,066	3,000	2,478,066	2,478,066
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
5. Financial assets being divested	-	-	-	-	-	-	-	-
Total 31 Dec. 2019	**2,823,201**	**1,485,020**	**1,338,181**	**24,246**	**52,306,536**	**185,020**	**52,121,516**	**53,459,697**
Total 31 Dec. 2018	**2,878,867**	**1,489,162**	**1,389,705**	**8,474**	**48,841,029**	**199,237**	**48,641,792**	**50,031,497**

* Value to be stated for disclosure purposes

Portfolio/quality	Assets with clearly poor credit quality		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	684	600	57,623
2. Hedging derivatives	-	-	668,306
Total 31 Dec. 2019	**684**	**600**	**725,929**
Total 31 Dec. 2018	**1,150**	**1,105**	**495,605**

A.1.3 Breakdown of financial assets by past due brackets (book values)

Portfolios/risk stages	Stage 1			Stage 2			Stage 3		
	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortized cost	404,891	33,759	384	278,106	73,043	64,326	39,846	14,870	1,054,720
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial assets being divested	-	-	-	-	-	-	-	-	-
Total 31 Dec. 2019	**404,891**	**33,759**	**384**	**278,106**	**73,043**	**64,326**	**39,846**	**14,870**	**1,054,720**
Total 31 Dec. 2018	**417,873**	**24,486**	**244**	**256,186**	**69,567**	**84,716**	**46,668**	**16,233**	**1,049,508**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: changes in total value adjustments and total provisions

Reasons/risk stages	Total adjustments															of which: POCI	Total provisions for commitments to disburse funds and financial guarantees given			Total
	Stage 1 assets					Stage 2 assets					Stage 3 assets									
	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment		Stage 1	Stage 2	Stage 3	
Opening total adjustments	63,766	2,347	-	-	66,113	133,124	-	-	-	133,124	1,489,162	-	-	1,489,162	-	-	3,838	7,088	19,081	1,718,406
Increases from acquired or originated financial assets	22,117	180	-	-	22,297	16,955	-	-	-	16,955	90,187	-	-	90,187	-	-	1,806	4,279	388	135,912
Derecognized items other than write-offs	(25)	(518)	-	-	(544)	-	-	-	-	-	(105,195)	-	-	(105,195)	-	-	-	-	-	(105,738)
Net losses/recoveries for credit risk (+/-)	(14,361)	991	-	-	(13,370)	(39,350)	-	-	-	(39,350)	143,460	-	-	143,460	-	-	(1,542)	(5,346)	(2,381)	81,471
Contract modifications without derecognition	60	-	-	-	60	1,557	-	-	-	1,557	1,610	-	-	1,610	-	-	-	-	-	3,227
Changes in the estimate approach	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognized through profit or loss	-	-	-	-	(1,806)	(16)	-	-	-	(16)	(134,204)	-	-	(134,204)	-	-	-	-	-	(134,220)
Other changes	(1,807)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,807)
Total closing adjustments	69,750	3,000	-	-	72,750	112,270	-	-	-	112,270	1,485,020	-	-	1,485,020	-	-	4,102	6,021	17,088	1,697,251
Recoveries from collection on financial assets written-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognized directly through profit or loss	343	-	-	-	343	55	-	-	-	55	31,314	-	-	31,314	-	-	-	-	-	31,712

A.1.5 Financial assets, commitments to disburse funds and financial guarantees issued: transfers between the difference credit risks stages (gross and nominal values)

Portfolios/risk stages	Gross values/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 3and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortized cost	871,558	689,905	207,857	38,397	89,482	10,804
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets being divested	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	31,446	48,650	574	583	9,198	2,454
Total 31 Dec. 2019	**903,004**	**738,555**	**208,431**	**38,980**	**98,680**	**13,258**
Total 31 Dec. 2018	**607,615**	**525,878**	**276,424**	**44,446**	**162,270**	**41,029**

A.1.6 On-balance-sheet and off-balance-sheet exposures to banks: gross and net amounts

Type of exposures/Values	Gross exposure		Total adjustments and total provisions	Net exposure	Total partial write-offs*
	Non-performing	Performing			
A. On-balance-sheet exposures					
a) Bad loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to Pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Past-due impaired exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Past-due not impaired exposures	X	-	-	-	-
- of which: forborne exposures	X	-	-	-	-
e) Other assets not impaired	X	7,525,227	3,213	7,522,014	-
- of which: forborne exposures	X	-	-	-	-
Total A	-	**7,525,227**	**3,213**	**7,522,014**	-
B. Off-balance-sheet exposures					
a) impaired	6,241	X	751	5,490	-
b) not imparired	X	1,180,086	880	1,179,206	-
Total B	**6,241**	**1,180,086**	**1,631**	**1,184,696**	-
Total A+B	**6,241**	**8,705,313**	**4,844**	**8,706,710**	-

* * Value to be stated for disclosure purposes

A.1.7 On-balance-sheet and off-balance-sheet exposures to customers: gross and net amounts

Type of exposures/Values	Gross exposure		Total adjustments and total provisions	Net exposure	Total partial write-offs*
	Non-performing	Performing			
A. On-balance-sheet exposures					
a) Bad loans	1,443,902	X	987,109	456,793	1,181
- of which: forborne exposures	430,588	X	291,541	139,047	-
b) Unlikely to Pay	1,359,034	X	495,301	863,733	23,013
- of which: forborne exposures	847,904	X	290,007	557,897	-
c) Past-due impaired exposures	20,265	X	2,610	17,655	52
- of which: forborne exposures	783	X	39	744	-
d) Past-due not impaired exposures	X	883,400	28,892	854,508	-
- of which: forborne exposures	X	97,911	5,812	92,099	-
e) Other assets not impaired	X	43,898,001	152,914	43,745,087	-
- of which: forborne exposures	X	422,784	20,314	402,470	-
Total A	**2,823,201**	**44,781,401**	**1,666,826**	**45,937,776**	**24,246**
B. Off-balance-sheet exposures			-	-	-
a) impaired	49,246	X	16,336	32,910	-
b) not impaired	X	2,796,369	9,243	2,787,126	-
Total B	**49,246**	**2,796,369**	**25,579**	**2,820,036**	-
Total A+B	**2,872,447**	**47,577,770**	**1,692,405**	**48,757,812**	**24,246**

* Value to be stated for disclosure purposes

A.1.9 On-balance sheet exposures to Customers: changes in gross non-performing loans

Reasons/categories	Bad loans	Unlikely-to-Pay	Non-performing past due exposures
A. Opening gross exposure	**1,476,741**	**1,370,332**	**31,794**
- of which: sold exposures not derecognized	-	-	-
B. Increases	**255,425**	**424,878**	**31,156**
B.1 from performing exposures	14,956	296,729	25,788
B.2 from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	147,302	26,412	490
B.4 Contract modifications without derecognition	-	-	-
B.5 other increases	93,167	101,737	4,878
C. Decreases	**288,264**	**436,176**	**42,685**
C.1 to performing exposures	405	36,352	2,792
C.2 Write-offs	110,347	54,395	396
C.3 collections	71,330	139,330	11,446
C.4 profits on disposals	7,545	35,147	-
C.5 losses on disposals	9,013	4,648	-
C.6 transfers to other categories of non-performing exposures	236	145,917	28,051
C.7 Contract modifications without derecognition	-	1,610	-
C.8 other decreases	89,388	18,777	-
D. Closing gross exposure	**1,443,902**	**1,359,034**	**20,265**
- of which: sold exposures not derecognized	-	-	-

Item B.5 “Other increases” reports also the amount of gross exposures coming from the merger of Crédit Agricole Carispezia.

Item C.8 “Other decreases” reports also the gross amount of the exposure disposed of, which exceeded the sum of the profit and any loss on disposal.

A.1.9bis On-balance-sheet exposures to Customers: changes in gross forborne exposures broken down by credit quality

Reasons/Quality	Non-performing forborne exposures	Performing forborne exposures
A. Opening gross exposure	**1,272,139**	**515,812**
- of which: sold exposures not derecognized	-	-
B. Increases	**292,929**	**328,991**
B.1 from non-forborne performing exposures	19,171	222,942
B.2 from forborne performing exposures	108,072	X
B.3 from forborne non-performing exposures	X	32,122
B.4 from non-forborne non-performing exposures	-	-
B.5 other increases	165,686	73,927
C. Decreases	**285,793**	**324,108**
C.1 to non-forborne performing exposures	X	134,710
C.2 to forborne performing exposures	32,122	X
C.3 to forborne non-performing exposures	X	106,506
C.4 Write-offs	71,611	32
C.5 collections	97,471	52,480
C.6 profits on disposals	38,106	-
B.2 losses on disposal	6,169	-
C.8 other decreases	40,314	30,380
D. Closing gross exposure	**1,279,275**	**520,695**
- of which: sold exposures not derecognized	-	-

A.1.11 Non performing balance-sheet exposures to Customers: changes in total adjustments

Reasons/categories	Bad loans		Unlikely to Pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance of overall adjustments	**1,023,826**	**272,160**	**462,148**	**269,731**	**3,188**	**467**
- of which: trasferred but not derecognised	-	-	-	-	-	-
B. Increases	**216,281**	**74,040**	**236,762**	**152,506**	**3,356**	**38**
B.1 net impairment of purchased or originated financial assets	-	X	-	X	-	X
B.2 other value adjustments	100,240	49,675	160,963	99,760	2,025	4
B.3 losses on disposals	9,012	1,610	4,649	4,559	-	-
B.4 transfers from other categories of impaired exposures	47,967	18,792	2,671	750	324	-
B.5 modification gains/losses	-	-	-	-	-	-
B.6 other increases	59,062	3,963	68,479	47,437	1,007	34
C. Decreases	**252,998**	**54,659**	**203,609**	**132,230**	**3,934**	**544**
C.1 write-backs from valuation	30,353	7,004	52,152	33,605	360	16
C.2 write-backs from collection	11,957	5,600	15,581	11,142	312	22
C.3 profits on disposal	1,805	342	542	539	-	-
C.4 write-offs	110,347	30,272	54,395	41,339	396	-
C.5 transfers to other categories of impaired exposures	127	127	48,133	20,968	2,702	495
C.6 Contract modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	98,409	11,314	32,806	24,637	164	11
D. Total closing adjustments	**987,109**	**291,541**	**495,301**	**290,007**	**2,610**	**39**
- of which: trasferred but not derecognised	-	-	-	-	-	-

Item B.6 “Other increases” reports also the amount of value adjustments coming from the merger of Crédit Agricole Carispezia.

Item C.7 “Other decreases” mainly reports, as to derecognized items other than write-offs, the amount equal to difference between gross exposure and disposal price.

A.2 CLASSIFICATION OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN BASED ON EXTERNAL AND INTERNAL RATINGS

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by external rating grades (gross values)

Exposures	External rating grades						Without rating	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6		
A. Financial assets measured at amortized cost	**553,286**	**2,904,018**	**3,359,764**	**1,080,629**	**72,017**	**18,298**	**44,660,659**	**52,648,671**
- Stage 1	549,506	2,896,723	3,213,652	955,905	48,236	11,401	40,108,490	47,783,913
- Stage 2	3,780	6,838	132,173	108,929	21,007	5,632	1,763,198	2,041,557
- Stage 3	-	457	13,939	15,795	2,774	1,265	2,788,971	2,823,201
B. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	**2,481,066**	**2,481,066**
- Stage 1	-	-	-	-	-	-	2,481,066	2,481,066
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
C. Financial assets being divested	-	-	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
Total (A+B+C)	**553,286**	**2,904,018**	**3,359,764**	**1,080,629**	**72,017**	**18,298**	**47,141,725**	**55,129,737**
of which: POCI	-	-	-	-	-	-	-	-
D. Commitments to disburse funds and financial guarantees issued	**108,726**	**868,758**	**566,777**	**216,221**	**231,576**	**4,607**	**1,346,445**	**3,343,110**
- Stage 1	100,690	868,058	551,377	206,759	221,977	2,913	1,253,795	3,205,569
- Stage 2	8,036	700	14,311	9,385	3,712	1,694	50,457	88,295
- Stage 3	-	-	1,089	77	5,887	-	42,193	49,246
Total D	**108,726**	**868,758**	**566,777**	**216,221**	**231,576**	**4,607**	**1,346,445**	**3,343,110**
Total (A+B+C+D)	**662,012**	**3,772,776**	**3,926,541**	**1,296,850**	**303,593**	**22,905**	**48,488,170**	**58,472,847**

The above breakdown by rating grades refers to measurements made by Cerved Group S.p.A. and DBRS (which are ECAI – External Credit Assessment Institutions – recognized by the Bank of Italy). The “Without rating” column reports exposures with counterparties for which ratings given by the two ECAIs are not available, and the relevant key is given in the table below:

Credit rating grade	“ECAI – Lince by Cerved Group”	DBRS
Grade 1		from AAA to AL
Grade 2	from A1.1 to A3.1	from AH to AL
Grade 3	B1.1	from BBBH to BBBL
Grade 4	from B1.2 to B2.2	from BBH to BBL
Grade 5	C1.1	from BH to BL
Grade 6	from C1.2 to C2.1	from CCCH to D

A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by internal rating grades (gross values)

Exposures	External rating grades					Total
	From AAA to BBB+	From BBB to BBB-	From BB+ to B	From B- to D	Without rating	
A. Financial assets measured at amortized cost	**7,858,714**	**12,163,052**	**7,909,656**	**3,499,368**	**21,217,881**	**52,648,671**
- Stage 1	7,837,091	12,089,118	7,020,755	148,855	20,688,094	47,783,913
- Stage 2	19,028	73,086	883,791	744,675	320,977	2,041,557
- Stage 3	2,595	848	5,110	2,605,838	208,810	2,823,201
B. Financial assets measured at fair value through other comprehensive income	-	-	-	-	**2,481,066**	**2,481,066**
- Stage 1	-	-	-	-	2,481,066	2,481,066
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
C. Financial assets being divested	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Total (A+B+C)	**7,858,714**	**12,163,052**	**7,909,656**	**3,499,368**	**23,698,947**	**55,129,737**
of which: POCI	-	-	-	-	-	-
D. Commitments to disburse funds and financial guarantees issued	**591,850**	**942,301**	**565,630**	**86,862**	**1,156,467**	**3,343,110**
- Stage 1	591,847	932,853	543,675	17,165	1,120,029	3,205,569
- Stage 2	3	9,448	21,909	27,696	29,239	88,295
- Stage 3	-	-	46	42,001	7,199	49,246
Total (D)	**591,850**	**942,301**	**565,630**	**86,862**	**1,156,467**	**3,343,110**
Total (A+B+C+D)	**8,450,564**	**13,105,353**	**8,475,286**	**3,586,230**	**24,855,414**	**58,472,847**

The breakdown by rating grade given above refers to the Crédit Agricole Italia Banking Group's internal models. The "Without rating" column mainly shows exposures to Banks, Public Administration Bodies and Sovereign States, for which internal rating models are not available.

Excluding counterparties without rating, 64% of total counterparties fall within the Investment grades (from AAA to BBB-), whereas 25% falls within the BB+/BB grades and 11% in the B-/D grades.

It is pointed out that 94% of total "without rating" exposures refers to counterparties for which there is no internally-developed rating model: specifically, the highest portion regards banks and financial institutions (61%), followed by sovereign states (27%).

A.3 BREAKDOWN OF SECURED EXPOSURES BY TYPE OF GUARANTEE

A.3.1 On-balance-sheet and off-balance-sheet secured exposures to banks

			Collaterals (1)				Personal guarantees (2)										Total (1)+(2)
							Credit derivatives					Signature loans				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - mortgages	Real estate - Lease loans	Securities	Other collaterals	CLN	Central counterparties	Banks	Other financial companies	Other parties	Public administration bodies	Banks	Other financial companies	Other parties	
1. Secured on-balance-sheet exposures:	777,821	777,662	-	-	423,516	-	-	-	-	-	-	-	350,067	821	-	774,404
1.1 fully secured	427,296	427,288	-	-	423,516	-	-	-	-	-	-	-	67	821	-	424,404
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	350,525	350,374	-	-	-	-	-	-	-	-	-	-	350,000	-	-	350,000
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Off-balance-sheet secured exposures:	189,890	189,883	-	-	-	-	-	-	-	-	-	-	188,075	-	-	188,075
2.1 fully secured	187,082	187,075	-	-	-	-	-	-	-	-	-	-	187,075	-	-	187,075
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	2,808	2,808	-	-	-	-	-	-	-	-	-	-	1,000	-	-	1,000
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 On-balance-sheet and off-balance-sheet secured exposures to Customers

			Collaterals (1)				Personal guarantees (2)										Total (1)+(2)
							Credit derivatives					Signature loans				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - mortgages	Real estate - Lease loans	Securities	Other collaterals	CLN	Central counterparties	Banks	Other financial companies	Other parties	Public administration bodies	Banks	Other financial companies	Other parties	
1. Secured on-balance-sheet exposures:	30,579,804	29,455,948	19,949,660	-	168,251	1,019,564	-	-	-	-	-	457,951	4,190,932	410,298	2,235,635	28,432,291
1.1 fully secured	28,442,294	27,452,528	19,815,100	-	135,144	869,010	-	-	-	-	-	389,669	3,303,552	357,571	2,033,052	26,903,098
- of which non-performing	1,979,530	1,113,894	822,803	-	2,010	17,012	-	-	-	-	-	9,288	-	24,776	167,465	1,043,354
1.2 partially secured	2,137,510	2,003,420	134,560	-	33,107	150,554	-	-	-	-	-	68,282	887,380	52,727	202,583	1,529,193
- of which non-performing	194,831	66,934	18,302	-	179	5,763	-	-	-	-	-	1,611	-	4,895	18,578	49,328
2. Off-balance-sheet secured exposures:	733,721	622,350	192,311	-	28,329	150,366	-	-	-	-	-	14,809	6,971	31,563	262,059	686,408
2.1 fully secured	611,595	506,814	182,929	-	17,113	123,309	-	-	-	-	-	8,383	2,889	25,485	246,736	606,844
- of which non-performing	55,330	7,178	45,012	-	250	1,081	-	-	-	-	-	42	472	469	5,034	52,360
2.2 partially secured	122,126	115,536	9,382	-	11,216	27,057	-	-	-	-	-	6,426	4,082	6,078	15,323	79,564
- of which non-performing	13,355	9,579	5,590	-	2,008	228	-	-	-	-	-	-	2,705	12	741	11,284

In compliance with Bank of Italy Circular No. 262, 5th update, in the "Collaterals" and "Personal guarantees" columns, the fair value of the collaterals or guarantee is reported, estimated as at the reporting date or, where not available, its contractual value.

It is pointed out that, in compliance with the aforementioned 5th update, both the above values shall not be higher than the book value of secured exposures.

B. Breakdown and concentration of exposures

B.1 BREAKDOWN BY BUSINESS SEGMENT OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS

Exposures/Counterparties	Public administration bodies		Financial companies		Financial companies (of which: insurance undertakings)		Non-financial corporations		Households	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance-sheet exposures										
A.1 Bad loans	-	-	1,877	7,254	3	16	297,547	810,077	157,366	169,762
- of which: forborne exposures	-	-	55	2,332	-	-	127,416	280,207	11,576	9,002
A.2 Unlikely to Pay	1	-	10,328	8,781	-	-	657,358	406,009	196,046	80,511
- of which: forborne exposures	-	-	6,939	5,808	-	-	444,679	253,872	106,279	30,327
A.3 Non-performing past-due exposures	-	-	20	6	-	-	6,693	1,050	10,942	1,554
- of which: forborne exposures	-	-	-	-	-	-	395	24	349	15
A.4 Performing exposures	6,719,621	8,892	6,995,971	8,535	237,731	163	11,513,523	85,037	19,132,749	79,179
- of which: forborne exposures	2,691	25	2,668	94	-	-	327,627	18,170	161,583	7,837
Total A	**6,719,622**	**8,892**	**7,008,196**	**24,576**	**237,734**	**179**	**12,475,121**	**1,302,173**	**19,497,103**	**331,006**
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	722	126	-	-	29,384	16,049	2,804	161
B.2 Performing exposures	12,634	11	232,029	1,113	35,689	78	2,324,284	5,049	182,490	2,992
Total B	**12,634**	**11**	**232,751**	**1,239**	**35,689**	**78**	**2,353,668**	**21,098**	**185,294**	**3,153**
Total (A+B) 31.12.2019	**6,732,256**	**8,903**	**7,240,947**	**25,815**	**273,423**	**257**	**14,828,789**	**1,323,271**	**19,682,397**	**334,159**
Total (A+B) 31 Dec. 2018	**6,339,671**	**6,866**	**7,444,537**	**28,788**	**268,532**	**331**	**13,582,469**	**1,296,187**	**17,193,259**	**382,725**

On-balance-sheet exposures include loans as well as other financial assets, such as debt securities, with the exception of derivative contracts and equity securities.

Exposures associated to counterparty risk relating to transactions for lending or borrowing securities or goods are excluded.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees given, commitments, derivatives) for which credit risk is taken.

B.2 BREAKDOWN OF ON - AND OFF-BALANCE-SHEET EXPOSURES TO COSTUMERS BY GEOGRAPHIC AREA

Exposures/Geographical areas	Northwest Italy		Northeast Italy		Central Italy		South and Insular Italy	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance-sheet exposures								
A.1 Bad loans	165,904	384,754	177,799	358,232	72,693	155,388	40,008	88,650
A.2 Unlikely to Pay	280,309	134,214	358,743	230,392	168,748	105,224	54,727	23,834
A.3 Non-performing past-due exposures	7,105	1,081	4,171	562	3,218	497	3,141	467
A.4 Performing exposures	20,492,260	70,101	8,829,882	56,091	12,633,137	40,539	2,117,161	12,464
Total A	**20,945,578**	**590,150**	**9,370,595**	**645,277**	**12,877,796**	**301,648**	**2,215,037**	**125,415**
B. Off-balance-sheet exposures								
B.1 Non-performing exposures	14,933	2,281	5,753	12,964	9,902	974	2,321	118
B.2 Performing exposures	1,179,980	1,336	986,079	6,630	480,849	914	85,504	241
Total B	**1,194,913**	**3,617**	**991,832**	**19,594**	**490,751**	**1,888**	**87,825**	**359**
Total (A+B) 31.12.2019	**22,140,491**	**593,767**	**10,362,427**	**664,871**	**13,368,547**	**303,536**	**2,302,862**	**125,774**
Total (A+B) 31 Dec. 2018	**19,723,078**	**599,100**	**10,168,592**	**685,233**	**12,434,663**	**298,155**	**2,113,513**	**125,957**

On-balance-sheet exposures include loans as well as other financial assets, such as debt securities, with the exception of derivative contracts and equity securities.

Exposures associated to counterparty risk relating to transactions for lending or borrowing securities or goods are excluded.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees given, commitments, derivatives) for which credit risk is taken.

B.3 BREAKDOWN OF ON - AND OFF-BALANCE-SHEET EXPOSURES TO BANKS BY GEOGRAPHIC AREA

Exposures/Geographical areas	Italy		Other European Countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance-sheet exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to Pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	6,903,105	988	158,832	2,210	450,287	-	6,398	6	3,392	9
Total A	6,903,105	988	158,832	2,210	450,287	-	6,398	6	3,392	9
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	5,490	751	-	-	-	-	-	-
B.2 Performing exposures	1,057,871	814	73,294	50	2,337	1	28,226	9	17,478	6
Total B	1,057,871	814	78,784	801	2,337	1	28,226	9	17,478	6
Total (A+B) 31.12.2019	7,960,976	1,802	237,616	3,011	452,624	1	34,624	15	20,870	15
Total (A+B) 31 Dec. 2018	7,175,904	2,941	1,051,818	473	326	-	26,104	67	42,026	27

On-balance-sheet exposures include loans as well as other financial assets, such as debt securities, with the exception of derivative contracts and equity securities.

Exposures associated to counterparty risk relating to transactions for lending or borrowing securities or goods are excluded.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees given, commitments, derivatives) for which credit risk is taken.

B.4 LARGE EXPOSURES

As at 31 December 2019, positions showing large risk features, as defined in Circular No. 258/2013 (as updated) were:

a) Of a total nominal amount of Euro 27,145,929 thousand;
b) Of a total weighted amount of Euro 1,142,024 thousand;
c) A total number of 5.

E. Transfers

Financial assets sold and not fully derecognized

E.4 COVERED BOND TRANSACTIONS

In order to increase its liquidity reserves, in 2013 the Crédit Agricole Italia Banking Group designed its program for the issue of Covered Bonds. These bonds are secured, i.e. “covered” both by the issuing bank and by a pool of high-quality loans, whose “separate” administration is assigned to a special-purpose vehicle (Crédit Agricole Italia OBG – the Special Purpose Entity for the Programme of which Crédit Agricole Italia holds 60%), which operates as the “depositary of loans used as collaterals”. This programme, which is part of a process for enhancing the efficiency of funding sources, aims at providing Crédit Agricole Cariparma with a wider range of liquidity management instruments. This decision was made considering that the Covered Bond market allows the Banks of the Crédit Agricole Italia Banking Group to have access to funding instruments with higher maturity than the securities placed with its Retail customers, to diversify its investor base and to stabilize the cost of funding. In order to be implemented, this programme, which aims also at increasing the eligible liquidity reserve with the European Central Bank, requires very effective organizational control and significant capital soundness. It is also worth mentioning that the aforementioned program has no effect on the regulatory risk profile of the disposing Banks and of the Crédit Agricole Italia Banking Group and does not generate the obligation for the Banks to derecognize the assets used as collaterals.

Disclosure

At its meetings held on 24 July 2012 and 26 March 2013, the Board of Directors of Crédit Agricole Italia resolved to start the design of a programme for the issue of covered bonds.

The Italian legislation framework on covered bonds consists of Article 7-bis of Law No. 130 of 30 April 1999 (as amended and supplemented, hereinafter referred to as "Law 130"), of the Decree issued by the Italian Minister of the Economy and Finance No. 310 of 14 December 2006 (the "MEF Decree") and by the Provisions for Prudential Supervision of Banks laid down in the Bank of Italy's Circular No. 285 of 17 December 2013, as supplemented and amended (the "Instructions" and, jointly with Law 130 and with the MEF Decree, the "Legislation").

The issue of Covered Bonds has allowed the Crédit Agricole Italia Banking Group to further diversify its stock of eligible assets with the European Central Bank, to have access to funding tools with longer maturity than the securities placed with its Retail Customers, to diversify its investor base and to stabilize the cost of funding.

In general, the transaction, in accordance with the relevant regulations, consisted in the following activities. The Banks of the Crédit Agricole Italia Banking Group (Crédit Agricole Italia and Crédit Agricole FriulAdria) transfer a "Pool" of mortgage loans to Crédit Agricole Italia OBG S.r.l.

The assets transferred to the Special-Purpose Entity are separated from the SPE's assets and are to be used to the benefit of the holders of the covered bonds issued and of other parties in favour of whom the guarantee has been given.

The Banks grant a subordinated loan to Crédit Agricole Italia OBG, to be used to pay the purchase price of the assets by the same Special-Purpose Entity.

Crédit Agricole Italia issues the Covered Bonds and the Special-Purpose Entity issues collateral in favour of the holders of the issued covered bonds.

As a consequence, the repayment of the Covered Bonds that have been issued within the programme is secured by unconditional and irrevocable collateral issued by Crédit Agricole Italia OBG exclusively to the benefit of the Covered Bond subscribers and of unrelated counterparties.

In March 2019, Crédit Agricole Italia completed another issue of Covered Bonds on the market. This new issue received a favourable feedback from institutional investors and the covered bonds were successfully placed for an amount of Euro 750 million and, thus, funding could to be further stabilized at modest costs.

Concomitantly, Crédit Agricole Italia issued a Covered Bond for Euro 500 million, which was then repurchased in order to create a new eligible reserve with the ECB.

Cover pool

The loans that, each time, are transferred to the Special-purpose Entity as the cover pool must have some common features.

In May 2013, June 2015, February 2016, February 2017, November 2017, March 2018, February 2019 and September 2019, receivables, i.e. credit claims, based on mortgage loan contracts were selected, which, as at their respective transfer date, had, by way of example and not limited to, the following common features:

- Credit claims based on mortgage loan contracts:
  - Which are residential mortgage loans (i) having a risk-weighting factor not higher than 35% and (ii) for which the residual principal amount plus the residual principal of any previous mortgage loans with mortgage on the same property is not higher than 80% of the value of the mortgaged property;

- Which are mortgage loans disbursed or purchased by the Crédit Agricole Italia Banking Group;
- Which are performing with no instalments past due by over 30 days;
- Which do not include clauses restricting the right of the Banks of the Crédit Agricole Italia Banking Group to transfer their credit claims resulting from the relevant loan contract or providing for the borrower's consent to the transfer and for the Banks of the Crédit Agricole Italia Banking Group to have obtained such consent;
- For which any pre-amortization period provided for by the contract has fully expired and at least one instalment has matured and has been paid;
- Which have been granted to a natural person, a legal person or to more than one natural or legal person, who have jointly taken out the loan;
- Which provide for the borrower to pay floating-rate interest (determined each time by the Banks of the Crédit Agricole Italia Banking Group) or fixed-rate interest.

Specifically, in 2019 two transfers of residential mortgage loans were made:
- On 18 February 2019, the Banks of the Crédit Agricole Italia Banking Group transferred the seventh cover pool to Crédit Agricole Italia OBG S.r.l. for a total amount as to principal of approximately Euro 1.5 billion (hereinafter the "Seventh Cover Pool", of which Crédit Agricole Italia transferred an amount of Euro 1.1 billion, Crédit Agricole FriulAdria Euro 0.3 billion and Crédit Agricole Carispezia Euro 0.1 billion); on 23 September 2019, the Banks of the Crédit Agricole Italia Banking Group transferred the eighth cover pool to Crédit Agricole Italia OBG S.r.l. for a total amount as to principal of approximately Euro 1.4 billion (hereinafter the "Eighth Cover Pool", of which Crédit Agricole Italia transferred an amount of Euro 1.2 billion and Crédit Agricole FriulAdria Euro 0.2 billion).

As at 31 December 2019, the Cover Pool consisted of receivables, i.e. credit claims, resulting from 116,041 mortgage loans, with a total residual debt, net of repayments, of approximately Euro 9.7 billion (Euro 7.9 billion transferred by Crédit Agricole Italia and Euro 1.8 billion by Crédit Agricole FriulAdria).

Current accounts

The Programme provides for a complex structure of current accounts to manage the cash flows from the transaction.

A number of accounts have been opened in the name of Crédit Agricole Italia OBG and specifically, but not limited to: collection accounts, quota capital account, reserve fund account, guarantor payments account and expenses account.

Parties involved in the Programme

With regard to the Programme, the following parties have the roles set forth here below:
- Transferor Banks: Crédit Agricole Italia and Crédit Agricole FriulAdria;
- Master Servicer: Crédit Agricole Italia (which, in this capacity, has been tasked by Crédit Agricole Italia OBG, pursuant to the Servicing Master Agreement, with the collection and recovery of the credit claims in the Initial Pool and in the pools that the Transferor Banks will transfer to Crédit Agricole Italia OBG pursuant to the Transfer Master Agreement);
- Sub-Servicers and Services Provider: each Transferor Bank (which, in this capacity, shall undertake to carry out, as sub-servicer, the same services that Crédit Agricole Italia shall undertake to provide to Crédit Agricole Italia OBG, in its capacity as Master Servicer, with reference only to the portion of the Pool transferred by the same Transferor Bank to Crédit Agricole Italia OBG;
- Principal Paying Agent: Crédit Agricole Italia (which, in this capacity, pursuant to the Cash Management and Agency Agreement, has the main task to determine and process the payments due, for principal and interest, to the holders of the Covered Bonds);
- Calculation Agent: Crédit Agricole Corporate & Investment Bank, Milan Branch ("CACIB") (which, in this capacity, pursuant to the Cash Management and Agency Agreement, has the main task to prepare and send – to all parties to the agreement – the so-called Payments Report, setting forth the available funds owned by Crédit Agricole Italia OBG and the payments to be made, based on the payment priority order as set by the parties in the transaction, pursuant to the Intercreditor Agreement, from the available funds);

- Account Bank: Crédit Agricole Italia (with which, in this capacity, pursuant to the Cash Management and Agency Agreement, the Italian current accounts have been opened and are kept in the name of Crédit Agricole Italia OBG S.r.l.; the liquidity to be used for the payments as per the Programme schedule is deposited on these accounts);
- Asset Monitor: BDO Italia (which, in this capacity, pursuant to the Asset Monitor Agreement, carries out the calculations and verifications on the Mandatory Tests and on the Amortisation Test to be performed pursuant to the Cover Pool Administration Agreement, verifying the accurateness of the calculations made by the Calculation Agent pursuant to the Cover Pool Administration Agreement. With separate assignment, the Asset Monitor, tasked by Crédit Agricole Italia, shall carry out further verifications, specifically on (i) compliance of the eligible assets making up the Pool with the requirements set by the Legislation and (ii) compliance with the limits set for the transfer and with the issuers' requirements as provided for in the Instructions and (iii) the completeness, truthfulness and promptness of the information made available by investors);
- Guarantor quotaholders: Crédit Agricole Italia and Stichting Pavia (which, in this capacity, have signed the Quotaholders Agreement to exercise the corporate rights associated to the equity investment held by each one of them in Crédit Agricole Italia OBG);
- Representative of the Covered Bondholders: Zenith Service (which, in this capacity, exercises, towards Crédit Agricole Italia and Crédit Agricole Italia OBG, the rights of the counterparties involved in the transaction based on the Programme contracts);
- Administrative Services Provider: Zenith Service (which, in this capacity, has the task of providing Crédit Agricole Italia OBG with administrative and corporate services relating to the activities to be carried out within the Programme);
- Arranger: CACIB;
- Rating Agency: Moody's.

Risks associated with the Programme

The Programme for the Issue of Covered Bonds entails the financial risks specified below, for which several mitigation measures have been adopted: Credit Risk, Liquidity Risk, Refinancing Risk, Counterparty Risk, Operational Risks, Risk of Bankruptcy of the Issuer Bank, Legal Risks.

Based on the procedures, in compliance with the Supervisory Instructions, the Internal Audit Department of Crédit Agricole Italian performs a verification of the controls carried out, at least every 12 months, also using the information received from and the judgements expressed by the Asset Monitor.

Main features of the Programme

The Programme financial structure envisages that Crédit Agricole Italia may issue Covered Bonds, in more than one subsequent series, to be rated by Moody's Investors Service (presently the expected rating is Aa3).

In 2013 a single issue of Covered Bonds was made, the so-called retained Covered Bonds (which were repurchased by Crédit Agricole Italia) at a floating rate, indexed to the Euribor, for an amount of Euro 2.7 billion, to be used in refinancing operations with the European Central Bank.

In 2014, Crédit Agricole Italia partially cancelled the securities issued in 2013, which currently amount to Euro 1.2 billion and launched its first issue of Covered Bonds on the market for Euro 1 billion; the latter were placed with institutional investors with the support of Dealers, such as Crédit Agricole Corporate & Investment Bank, Banca Imi, Erste Group, LBBW, Nord LB and Unicredit.

In 2015 Crédit Agricole Italia went on with the second issue of Covered Bonds on the market for Euro 1 billion; these bonds were placed with institutional investors with the support of Dealers such as Crédit Agricole Corporate & Investment Bank, Unicredit Bank AG, Lloyds, ING, Santander and Natixis.

In 2016, Crédit Agricole Italia made two issues of Covered Bonds on the market for a total amount of Euro 1.5 billion (Euro 750 million each); these bonds were placed with institutional investors with the support of Dealers such as Crédit Agricole Corporate & Investment Bank, BayernLB, LBBW, Lloyds, Mediobanca, Natixis, Unicredit Bank AG.

In March 2017, Crédit Agricole Italia made two issues of Covered Bonds on the market for a total amount of Euro 1.5 billion (Euro 750 million each); these bonds were placed with institutional investors with the support of Dealers such as Crédit Agricole Corporate & Investment Bank, Danske Bank, ING, LBBW, Santander and Unicredit Bank AG.

Moreover, in December 2017, Crédit Agricole Cariparma made a new issue of Covered Bonds on the market amounting to Euro 0.75 billion; these bonds were placed with institutional investors with the support of dealers such as Crédit Agricole Corporate & Investment Bank, BBVA and Mediobanca.

In January 2018, the Crédit Agricole Italia Banking Group made another issue of Covered Bonds on the market for Euro 500 million with 20-year maturity; these bonds were placed with institutional investors with the support of dealers such as Crédit Agricole Corporate & Investment Bank, Natixis, Caixa Bank and Banca Imi.

In December 2019, Crédit Agricole Italia made a new issue of Covered Bonds on the market amounting to Euro 750 billion and with 8-year maturity; these bonds were placed with institutional investors with the support of dealers such as Crédit Agricole Corporate & Investment Bank, Unicredit, Mediobanca and Natixis. Concomitantly, Crédit Agricole Italia issued a Covered Bond for Euro 500 million, which was then repurchased in order to create a new eligible reserve with the ECB.

Therefore, as at 31 December 2019, the nominal value of the bonds issued came to Euro 8.95 billion, of which Euro 1.95 billion worth of retained bonds and Euro 7 billion worth of bonds publicly traded. Crédit Agricole Italia will be able to issue, within the Programme, Covered Bonds for a total amount, as presently set, not exceeding Euro 16 billion.

Section 2 – Market risks

2.1 INTEREST RATE RISK AND PRICE RISK – SUPERVISORY TRADING BOOK

Qualitative disclosures

A. General aspects

The Crédit Agricole Italia Banking Group does not typically engage in proprietary trading on financial markets, but only in trading operations to meet its customers' needs. Furthermore, the banking entities of the Crédit Agricole Italia Banking Group are subject to specific regulatory requirements that prohibit any proprietary speculative trading. The applicable legislation consists of the Volcker Rule (Dodd-Frank Wall Street Reform and Consumer Protection Act) and the LBF – "Loi de séparation et de régulation des activités bancaires" (French law no. 672/2013). Therefore, trading activities are ancillary to and aimed at meeting customers' requirements; the entities of the Crédit Agricole Italia Banking Group take only residual risk positions in the trading book.

The trading book of the entities of the Crédit Agricole Italia Banking Group mainly consists of Over-The-Counter derivatives (matched trading) and non-structured financial instruments. In its capacity as the Parent Company, Crédit Agricole Italia coordinates the interest rate risk and price risk of the trading books of the Crédit Agricole Italia Banking Group's entities, centrally managing banking operations as well as the risk assessment and control activities. The control of market risk on the trading book ensures that a risk level consistent with the Crédit Agricole Italia Banking Group's objectives is continuously maintained.

Given the exposure immateriality, Pillar One capital absorption is calculated in accordance with the standardized approach.

B. Management and measurement of interest rate and price risks

Organisational aspects

The process for the management of market risks is regulated by the relevant policy. This document lays down the internal normative framework for the management of market risk with reference to operations in financial instruments, foreign currencies and commodities, in terms of:

- The principles, objectives, approaches and tools used for the measurement, control and management of market risks;
- Guidelines and rules which the market risk management processes are based on.

The Market Risk Policy is one of the components of the overall risk governance model implemented by the Crédit Agricole Group, consistently with the guidelines issued by the French Parent Company Crédit Agricole S.A.

Within the process for market risk management, primary responsibility is assigned to corporate bodies/structures, according to their respective scopes, and they must be fully aware of Crédit Agricole Italia's level of exposure. Specifically:

- The Board of Directors is tasked with strategic oversight and is therefore responsible for defining market risk governance policies and management processes;
- The Deputy General Manager in charge of Corporate Banking, delegating the relevant tasks and powers to the Corporate Banking Department, is the officer responsible for market risk management, and, therefore, sets down and steers the Crédit Agricole Italia Banking Group's mechanism for the management of Market Risk;
- The Capital Management and Middle Office Service is responsible for controls, within the Volcker Rule and LBF scope, of perfect back–to-back of the transactions entered by the Capital Market Division on behalf of Customers;
- The Risk Management and Permanent Controls Department is responsible for control. It verifies the corporate risk management process and supervises compliance of the market risk treatment with the applicable legislation in force and with the Risk Strategy of the Crédit Agricole Italia Banking Group.

The model for market risk management and governance applies to the entire consolidation perimeter.

The limit structure

The limit structure reflects the level of risk deemed acceptable with reference to the individual business areas and is a mechanism designed to control that operational practices, at the various organisational levels, are performed in compliance with management guidelines and strategies, as defined by the Top Management.

The risk framework system regarding the trading books of the entities belonging to the Crédit Agricole Italia Banking Group is reviewed on a yearly basis, consistently with the guidelines and the risk appetite set by the Crédit Agricole Group. Such risk appetite is structured through global limits and operational limits that are defined by the Risk Strategy.

The global limits system must be able to ensure a controlled development of the business. The limits are set in order to contain any losses within a level that is deemed acceptable for the Crédit Agricole Group as a whole and are defined using common metrics, such as Notional Value, Mark to Market and Value at Risk. The global limits are validated by the Group Risk and Internal Control Committee of Crédit Agricole SA (Comité Risques Groupe – CRG) and approved by the Boards of Directors of the entities of the Crédit Agricole Italia Banking Group, whereas the operational limits – which are specific adaptations of the global limits – are adapted to the individual entities of the Crédit Agricole Italia Banking Group and are also validated by their respective Boards of Directors.

Control System

The monitoring of global and operational limits is a task assigned to the Risk Management and Permanent Controls Department. Reporting on compliance with the set limits is included in the monthly Financial Risk Report, while continuous compliance is verified with automated daily reporting through an internal procedure. The Financial Risk

Report is sent to the Crédit Agricole Italia Banking Group's top bodies and officers to the structures engaged in market risk management, to the Internal Audit Department and to the Group Risk Department (Direction Risques Groupe) of Crédit Agricole S.A. A summary of this report is the basis for quarterly reporting on market risks to the Crédit Agricole Italia Banking Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are breached, there are significant changes in markets, significant losses, etc.), a specific alert procedure is triggered, reporting the event and a remedial action plan to the Top Management Bodies and to the Parent Company Crédit Agricole S.A.

Furthermore, the Risk Management and Permanent Controls Department performs independent price verification activities and audits on prudent valuation of the financial instruments on the trading book. As regards derivative instruments sold to ordinary instruments, it issues opinions on the pricing methodology, whose models, which are commonly used in financial practices, are fed with input parameters (such as interest rate, exchange rate and volatility curves) observed on the market and subject to monitoring processes.

Local "Correspondant Volcker Rule" (the Local Officer in charge of the Volcker Rule)

The Local "Correspondant Volcker Rule" (the Local Officer in charge of the Volcker Rule) for the Crédit Agricole Italia Banking Group is part of the Finance Department and is responsible for ensuring that the Crédit Agricole Italia Banking Group is always compliant with the Volcker Rule on proprietary trading. He/she has the task of assessing compliance of the activities carried out with the Volcker Rule, interacting with the persons in charge of the Volcker Rule at a central level within Crédit Agricole S.A.

Fair Value Option

In 2019, no transactions recognized under "Fair Value Option" were carried out.

Quantitative disclosures

1. Supervisory Trading Book: breakdown by residual maturity (repricing date) of on-balance-sheet financial assets and liabilities and financial derivatives

Type/Residual maturity (Euro)	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	-	-	-	-	-	92	1	-
1.1 Debt securities	-	-	-	-	-	92	1	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	92	1	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities	-	-	-	-	-	-	-	-
2.1 repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial Derivatives	291,650	3,682,204	2,407,493	1,152,107	3,006,742	496,958	62,241	-
3.1 With underlying security	-	1,429	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	1,429	-	-	-	-	-	-
+ long positions	-	635	-	-	-	-	-	-
+ short positions	-	794	-	-	-	-	-	-
3.2 Without underlying security	291,650	3,680,775	2,407,493	1,152,107	3,006,742	496,958	62,241	-
- Options	28	5,559	12,272	19,418	51,631	16,466	2,727	-
+ long positions	17	2,779	6,136	9,709	25,814	8,232	1,363	-
+ short positions	11	2,780	6,136	9,709	25,817	8,234	1,364	-
- Other derivatives	291,622	3,675,216	2,395,221	1,132,689	2,955,111	480,492	59,514	-
+ long positions	145,811	1,838,272	1,197,383	566,047	1,477,381	240,246	29,757	-
+ short positions	145,811	1,836,944	1,197,838	566,642	1,477,730	240,246	29,757	-

Type/Residual maturity (other currencies)	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities	-	-	-	-	-	-	-	-
2.1 repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial Derivatives	-	**374,189**	**146,782**	**70,678**	**129,146**	**980**	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	374,189	146,782	70,678	129,146	980	-	-
- Options	-	246	378	236	36	-	-	-
+ long positions	-	123	189	118	18	-	-	-
+ short positions	-	123	189	118	18	-	-	-
- Other derivatives	-	373,943	146,404	70,442	129,110	980	-	-
+ long positions	-	186,503	73,190	35,221	64,555	490	-	-
+ short positions	-	187,440	73,214	35,221	64,555	490	-	-

2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

Qualitative disclosures

General aspects, management and measurement of interest rate risk and price risk

General aspects

Asset & Liability Management activities cover all the items on the banking book. Future fluctuations in interest rates that would impact on the profits, through changes in net interest income, and that would also have an effect on the value of its capital, since they would cause a change in the net present value of future cash flows, are mitigated with hedges that are calibrated also through specific modeling of financial statement items.

Organisational aspects

The process for the management of interest rate risk and price risk regarding the Banking Book of the Entities belonging to the Crédit Agricole Italia Banking Group is regulated within the relevant risk policies.

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

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

The CFO is responsible for the management and measurement of interest rate risk for the Group as a whole. Through the Finance Department, the CFO sets the methods for managing interest risk in compliance with the applicable regulations and with the methodological indications provided by the Crédit Agricole Group. The CFO also designs operational actions, carries out stress testing exercises based on the guidelines issued by the Crédit Agricole Group and prepares the ICAAP reports, both the local one and the contribution to the Group's ICAAP exercise.

The Risk Management and Permanent Controls Department is responsible for control. Therefore, it verifies the corporate risk management process and supervises compliance of the risk treatment with the applicable legislation in force and with the Group risk strategy.

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

Risk policy and management

The processes for the management of interest rate risk and price risk are governed by the respective risk policies. These documents lay down the internal normative framework for the management of risks with reference to operations in financial instruments, in terms of:
- Principles, objectives, methodologies and tools used for the measurement, control and management of risks;
- Guidelines and rules on which the risk management and stress testing processes are based.

The management of interest rate risk designed by the Crédit Agricole Italia Banking Group aims at ensuring that the individual legal entities and the Group as a whole achieve the maximum possible income from the existing positions through proactive management of interest risk hedges. The main financial instruments to manage risk hedges are derivative contracts, i.e. interest rate options and e Interest Rate Swaps.

Control System

Independent control on the system for the management of interest rate risk is performed by the Risk Management and Permanent Controls Department of Crédit Agricole Italia, for the Crédit Agricole Italia Banking Group and for the single entities, by verifying the compliance of such system with the internal model of Crédit Agricole S.A. Specifically, within its responsibilities, the Risk Management and Permanent Controls Department:
- Independently verifies compliance with the limits and alter thresholds provided for by the RAF and by the Risk Strategy; it also expresses its prior opinion in case of any changes to the approaches and methods used by the Finance Department, while reporting on them to the ALM Committee and to the Risk and Internal Control Committee;
- Submits the outcomes of its verifications to the Controlling Company on a monthly basis and, in case of breach of any one of the limits set down in the Risk Strategy, it triggers the alert procedure and analyzes and approves the action plan proposed by the corporate structures concerned;

Reports to the Boards of Directors of the single Banks of the Crédit Agricole Italia Banking Group and to the Risk and Internal Control Committee on any breached limits, problems arisen and compliance with the limits set in the Risk Strategy.

The Risk Management and Permanent Controls Department is responsible for control of compliance with the set limits; therefore, on a monthly basis, it prepares and sends its Financial Risk Report to the Corporate Bodies, which provides information on the control outcomes and on any breaches of limits, and activates, where required, the appropriate alert procedures. On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to the Boards of Directors of all the Entities of the Crédit Agricole Italia Banking Group.

Risk measurement: methodological aspects

The model for the measurement of global interest rate risk provides for an analysis of the contractual profile (cash flow generation by maturity), of all balance-sheet items and, where appropriate, for the "modeling" of other balance sheet items that, in terms of asset stability and responsiveness to changes in market interest rates, are among the items that are sensitive to interest rate risk for the Banks of the Crédit Agricole Italia Banking Group. Specifically, for interest rate risk analysis, the following elements are identified:
- Term loans (fixed and variable rate for the portion with an already established rate);
- Balance-sheet items modelled in accordance with the guidelines issued by the French Parent Company Crédit Agricole S.A.;
- Balance-sheet items modelled in accordance with specific management rules set by the relevant corporate structures of Crédit Agricole Italia (local models).

As regards global limits on interest rate risk, the Risk Strategy has validated:
- Global limit in terms of Net Present Value (NPV);
- A global limit in NPV Index terms;
- A global limit and alert thresholds on the gap for the various time ranges;
- Alert thresholds on the "Gamma effect", an indicator linked to transactions that feature an intrinsic optional component.

As regards price risk for the Banking Book, global limits have been set, based on the type of instruments that can be held, which are expressed with reference to indicators, such as the balance sheet notional value and fair value, and further global limits and alert thresholds have been identified for stress testing.

Quantitative disclosures

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Type/Residual maturity (Euro)	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**10,308,366**	**22,741,906**	**1,642,949**	**1,357,837**	**8,154,941**	**4,187,829**	**4,544,109**	**147,083**
1.1 Debt securities	-	11,248	-	150,721	4,575,728	1,671,008	28	147,083
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	11,248	-	150,721	4,575,728	1,671,008	28	147,083
1.2 Loans to banks	560,468	4,884,828	218,222	142,247	717,570	539,323	342,106	-
1.3 Loans to customers	9,747,898	17,845,830	1,424,727	1,064,869	2,861,643	1,977,498	4,201,975	-
- c/a	1,047,593	323,374	41,069	73,507	105,647	8,886	797,883	-
- other loans	8,700,305	17,522,456	1,383,658	991,362	2,755,996	1,968,612	3,404,092	-
- with early repayment option	1,918	371,410	169,704	33,230	46,934	3,550	194	-
- other	8,698,387	17,151,046	1,213,954	958,132	2,709,062	1,965,062	3,403,898	-
2. On-balance-sheet liabilities	**32,658,968**	**1,734,390**	**1,711,860**	**588,655**	**6,077,524**	**3,518,276**	**3,851,536**	**-**
2.1 Due to customers	31,899,698	7,882	7,906	15,288	84,421	38,808	2,270,722	-
- c/a	30,262,050	1,340	-	70	-	-	2,266,970	-
- other due and payables	1,637,648	6,542	7,906	15,218	84,421	38,808	3,752	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	1,637,648	6,542	7,906	15,218	84,421	38,808	3,752	-
2.2 Due to banks	757,109	999,934	1,613,389	515,030	2,473,995	471,635	337,039	-
- c/a	244,575	-	-	-	-	-	-	-
- other due and payables	512,534	999,934	1,613,389	515,030	2,473,995	471,635	337,039	-
2.3 Debt securities	2,161	726,574	90,565	58,337	3,519,108	3,007,833	1,243,775	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	2,161	726,574	90,565	58,337	3,519,108	3,007,833	1,243,775	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial Derivatives	**180,024**	**21,819,360**	**705,142**	**2,989,209**	**9,481,532**	**7,641,856**	**2,131,407**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	180,024	21,819,360	705,142	2,989,209	9,481,532	7,641,856	2,131,407	-
- Options	24	20,252	142	270,275	2,629	321,279	881,179	-
+ long positions	24	2,889	71	135,137	1,388	163,969	444,412	-
+ short positions	-	17,363	71	135,138	1,241	157,310	436,767	-
- Other derivatives	180,000	21,799,108	705,000	2,718,934	9,478,903	7,320,577	1,250,228	-
+ long positions	-	3,728,275	705,000	2,718,900	7,374,200	5,950,000	1,250,000	-
+ short positions	180,000	18,070,833	-	34	2,104,703	1,370,577	228	-
4. Other off-balance-sheet transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Type/Residual maturity (other currencies)	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**48,052**	**171,052**	**11,651**	**13,319**	**10,857**	**3,627**	**13,697**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	35,936	80,801	-	514	-	-	-	-
1.3 Loans to customers	12,116	90,251	11,651	12,805	10,857	3,627	13,697	-
- c/a	11,680	3	-	-	-	-	13,697	-
- other loans	436	90,248	11,651	12,805	10,857	3,627	-	-
- with early repayment option	139	15,550	4,729	1,490	130	-	-	-
- other	297	74,698	6,922	11,315	10,727	3,627	-	-
2. On-balance-sheet liabilities	**215,343**	**58,209**	**11,221**	**61**	**-**	**-**	**-**	**-**
2.1 Due to customers	208,575	6,015	-	61	-	-	-	-
- c/a	208,369	6,015	-	61	-	-	-	-
- other due and payables	206	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	206	-	-	-	-	-	-	-
2.2 Due to banks	6,768	52,194	11,221	-	-	-	-	-
- c/a	6,768	-	-	-	-	-	-	-
- other due and payables	-	52,194	11,221	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions	**23,675**	**24,068**	**37**	**-**	**-**	**-**	**-**	**-**
+ long positions	23,675	178	37	-	-	-	-	-
+ short positions	-	23,890	-	-	-	-	-	-

2.3 FOREIGN EXCHANGE RISK

Qualitative disclosures

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF FOREIGN EXCHANGE RISK

General aspects

The Crédit Agricole Italia Banking Group is not engaged in proprietary trading on the currency market. Consequently, there are no exposures other than residual positions resulting from activities carried out to meet customer requirements, in both the spot and forward markets.

In its capacity as the Parent Company, Crédit Agricole Italia coordinates the foreign exchange risk profiles of the Crédit Agricole Italia Banking Group, centrally managing financial operations, as well as risk assessment and control activities.

Organisational aspects

The process for the management of foreign exchange risks is regulated by the relevant risk policy that is one of the key components of the overall risk governance model implemented by the Crédit Agricole Italia Banking Group, consistently with the guidelines given by Crédit Agricole S.A.

Within the process for foreign exchange risk management, primary responsibility is assigned to corporate bodies/ structures, according to their respective scopes, and they must be fully aware of Crédit Agricole Italia's level of exposure. Specifically:

- The Board of Directors is tasked with strategic oversight and is therefore responsible for defining risk governance policies and management processes;
- The Deputy General Manager in charge of Corporate Banking, through the Capital Market Division, is responsible for risk management, and, therefore, defines and steers the Crédit Agricole Italia Banking Group's arrangement for the management of foreign exchange risk, in compliance with the instructions and resolutions issued by the ALM Committee and by the Risk and Internal Control Committee;
- The Risk Management and Permanent Controls Department is responsible for control. It verifies the corporate risk management process and supervises compliance of the market risk treatment with the applicable legislation in force and with the Risk Strategy of the Crédit Agricole Italia Banking Group.

The limit structure

The limit structure reflects the level of risk deemed acceptable with reference to the individual business areas and is designed to control that operations are performed in compliance with the management and strategic directions set by the Top Management.

The framework system for foreign exchange risk of the Crédit Agricole Italia Banking Group is reviewed on a yearly basis, consistently with the guidelines and the risk appetite set by the Crédit Agricole Group. The Crédit Agricole Italia Banking Group has structured its risk appetite through global and operational limits.

The global limit is set in order to ensure a controlled development of the business. It is calculated as the sum of the value in Euro of the single positions and it validated by the Risk and Internal Control Committee of the Crédit Agricole Group within the determination of the annual risk strategy and is approved by the Board of Directors of Crédit Agricole Italia.

Operational limits are calibrated using the same method used for the global limit, are specifically adjusted for each Bank of the Crédit Agricole Italia Banking Group and validated by each Bank's Board of Directors.

Control System

The monitoring of global and operational limits, which is carried out on a daily basis, is a task assigned to the Risk Management and Permanent Controls Department. The outcomes of monitoring on limits are included in the monthly Report on Financial Risks. It is sent to the Crédit Agricole Italia Banking Group's Top Management (CFO), to the structures engaged in foreign exchange risk management (Corporate Banking Department), to the Internal Audit Department and to Crédit Agricole S.A. (Direction Risques Groupe).

A summary of this report is the basis for quarterly reporting on foreign exchange risk to the Crédit Agricole Italia Banking Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are breached, there are significant changes in markets, significant losses, etc.), the Crédit Agricole Italia Banking Group triggers the alert procedure, reporting the event and a remedial action plan to the Top Management Bodies and to the Direction Risques Groupe of Crédit Agricole S.A.

A. FOREIGN EXCHANGE RISK HEDGING

Foreign exchange risk hedging is based on the intermediation principle, which allows the Parent Company and the Subsidiaries of the Crédit Agricole Italia Banking Group not to take risk positions breaching the authorized operational limits. Back-to-back hedging transactions are carried out with Authorized Financial Counterparties and are traded upon the closing of the relevant transactions with Customers.

Quantitative disclosures

1. Breakdown by currency of assets, liabilities and derivatives

Items	Currencies					
	USD	GBP	Yen	CAD	CHF	Other currencies
A. Financial Assets	**189,966**	**23,989**	**12,225**	**2,169**	**31,369**	**12,901**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	51,669	16,002	12,082	1,597	27,258	8,642
A.4 Loans to customers	138,297	7,987	143	572	4,111	4,259
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**3,875**	**1,205**	**216**	**250**	**855**	**917**
C. Financial Liabilities	201,483	24,946	12,412	2,229	31,738	12,027
C.1 Due to banks	55,775	6,497	15	21	1,244	6,630
C.2 Due to customers	145,708	18,449	12,397	2,208	30,494	5,397
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**8,150**	**384**	**158**	**12**	**163**	**1,010**
E. Financial derivatives	**535,377**	**36,742**	**5,553**	**3,583**	**52,382**	**8,292**
- Options	644	230	-	22	-	-
+ long positions	322	115	-	11	-	-
+ short positions	322	115	-	11	-	-
- Other derivatives	534,733	36,512	5,553	3,561	52,382	8,292
+ long positions	266,806	18,275	2,848	1,772	26,164	4,171
+ short positions	267,927	18,237	2,705	1,789	26,218	4,121
Total assets	**460,969**	**43,584**	**15,289**	**4,202**	**58,388**	**17,989**
Total liabilities	**477,882**	**43,682**	**15,275**	**4,041**	**58,119**	**17,158**
Mismatch (+/-)	**-16,913**	**-98**	**14**	**161**	**269**	**831**

Section 3 – Derivative instruments and hedging policies

3.1 DERIVATIVE INSTRUMENTS HELD FOR TRADING

A. FINANCIAL DERIVATIVES

A.1 FINANCIAL DERIVATIVES HELD FOR TRADING: CLOSING NOTIONAL VALUES

Underlying assets/Type of derivative	Total 31.12.2019				Total 31.12.2018			
	Over-the-Counter			Organized markets	Over-the-Counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Debt securities and interest rates	-	3,358,829	3,338,055	-	-	3,195,415	2,843,252	-
a) Options	-	778,864	774,559	-	-	992,623	761,376	-
b) Swaps	-	2,579,965	2,563,496	-	-	2,202,792	2,081,876	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	-	-	187	-	-	-	174	-
a) Options	-	-	187	-	-	-	174	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange and gold	-	296,098	355,558	-	-	148,084	244,006	-
a) Options	-	47,032	47,032	-	-	37,167	37,167	-
b) Swaps	-	37,746	37,746	-	-	-	-	-
c) Forwards	-	211,320	270,780	-	-	110,917	206,839	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	5,896	5,912	-	-	1,510	1,514	-
5. Other	-	-	-	-	-	-	-	-
Total	-	3,660,823	3,699,712	-	-	3,345,009	3,088,946	-

A.2 FINANCIAL DERIVATIVES HELD FOR TRADING: GROSS POSITIVE AND NEGATIVE FAIR VALUE – BREAKDOWN BY PRODUCT

Underlying assets/Type of derivatives	Total 31.12.2019				Total 31.12.2018			
	Over-the-Counter			Organized markets	Over-the-Counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Positive fair value								
a) Options	-	679	2,265	-	-	2,494	1,610	-
b) Interest rate swaps	-	210	50,723	-	-	1,349	45,244	-
c) Cross currency swaps	-	-	252	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	908	2,586	-	-	912	2,875	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	506	-	-	-	-	24	-
Total	**-**	**2,303**	**55,826**	**-**	**-**	**4,755**	**49,753**	**-**
2. Negative fair value								
a) Options	-	1,598	612	-	-	1,741	1,758	-
b) Interest rate swaps	-	58,967	294	-	-	54,004	107	-
c) Cross currency swaps	-	258	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	2,069	1,356	-	-	1,132	2,615	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	488	-	-	20	-	-
Total	**-**	**62,892**	**2,750**	**-**	**-**	**56,897**	**4,480**	**-**

A.3 OTC FINANCIAL DERIVATIVES HELD FOR TRADING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUE BY COUNTERPARTY

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting arrangements				
1) Debt securities and interest rates				
- notional value	X	-	253,363	3,084,692
- positive fair value	X	-	2,574	48,865
- negative fair value	X	-	-	724
2) Equity securities and equity indices				
- notional value	X	187	-	-
- positive fair value	X	686	-	-
- negative fair value	X	-	-	-
3) Foreign exchange and gold				
- notional value	X	30,183	5,341	320,034
- positive fair value	X	364	39	3,297
- negative fair value	X	140	51	1,422
4) Commodities				
- notional value	X	-	-	5,912
- positive fair value	X	-	-	-
- negative fair value	X	-	-	413
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional value	-	3,356,754	2,074	-
- gross positive fair value	-	707	-	-
- gross negative fair value	-	59,644	57	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	296,098	-	-
- gross positive fair value	-	1,168	-	-
- gross negative fair value	-	3,191	-	-
4) Commodities				
- notional value	-	5,896	-	-
- gross positive fair value	-	429	-	-
- gross negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-

A.4 RESIDUAL MATURITY OF OTC FINANCIAL DERIVATIVES HELD FOR TRADING: NOTIONAL VALUES

Underlying asset/residual maturity	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	2,159,701	3,740,996	796,187	6,696,884
A.2 Financial derivatives on equity securities and equity indices	-	187	-	187
A.3. Financial derivatives on foreign exchange rates and gold	585,130	66,526	-	651,656
A.4 Financial Derivatives on commodities	11,808	-	-	11,808
A.5 Other financial derivatives	-	-	-	-
Total 31 Dec. 2019	**2,756,639**	**3,807,709**	**796,187**	**7,360,535**
Total 31 Dec. 2018	**839,923**	**3,637,465**	**1,956,567**	**6,433,955**

3.2 ACCOUNTING HEDGES

Qualitative disclosures

A. FAIR VALUE HEDGING

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

The main financial instruments for the management of interest rate risk hedges are 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) and current accounts, which have been subject to macro-hedging. In compliance with the financial reporting standards, the effectiveness of the hedges is assessed by the Finance Department, which carries out the relevant tests on a monthly basis and keeps formal documentation for every hedge relationship.

B. CASH FLOW HEDGING

In 2019, no Cash Flow Hedge transactions were carried out.

D. HEDGING INSTRUMENTS

Crédit Agricole Italia hedges interest rate risk resulting from some parts of its balance sheet items under fair value hedging, with the following instruments:

– IRS, both for micro-hedging (Issued Debenture Loans and Securities under assets), and for macro-hedging (modelled Retail Current Accounts under liabilities);
– IRO, in macro-hedging, to hedge optional risk resulting from CAP options associated with a part of mortgage loans sold to Customers.

A source of ineffectiveness envisaged for all the types of hedges used is the possible early repayment of the hedged item. Moreover, for hedging with IRS, also any possible sudden and material change in the Euribor rates, entailing the breach of the tolerance threshold set by IFRS9 for the hedge ratio (-80%/-125%), could be a cause of possible ineffectiveness. Finally, as regards hedging of “modelled” items, a change in the model’s financial characteristics, subsequent to the periodic review of the models, could also be yet another cause of ineffectiveness.

Over time, ineffectiveness resulting from early or from the periodic review of the models (reduction in the modelled item duration) has been overcome with total or partial unwinding of the hedging instruments.

E. HEDGED ITEMS

Hedging of issued (fixed-rate) Debenture Loans

The hedged item is limited to the portion referring to interest rate risk only. Hedging uses IRS in which the fixed-rate leg equalizes the debenture loan rate and the variable-rate leg is determined as the Euribor (1, 3 or 6 months) +/- spread.

The spread on the variable-rate leg of the IRS is included in the hedging relationship, inverting its sign, as “spread adjustment” of the hedged item (debenture loan rate +/- spread adjustment). In this way, based on the assumption that the two legs of the IRS, on the trading date, have the same value and knowing that an IRS contract hedges interest rate risk only, the value of the “hedged item” referring to every debenture loan can be determined, or the only part of the debenture loan interest rate referring to the hedged risk (interest rate risk).

Hedging of Securities recognized as Assets (fixed rate)

The hedged item is limited to the portion referring to interest rate risk only. Hedging uses IRS in which the variable-rate leg is determined as the Euribor (1, 3 or 6 months) and the fixed-rate leg equalizes the expected value of the former.

Hedging of the fixed-rate part of Retail Current Accounts recognized as Liabilities:

The hedged item is limited to the portion referring to interest rate risk only. Hedging uses IRS in which the fixed-rate leg equalized the rate of a “fictitious” bond-equivalent designed to identify the hedged item resulting from the modelling of a balance-sheet item (a set of current accounts) that, in contractual terms only, would not allow to separate the characteristics required for the hedging, and the variable-rate leg is determined as the Euribor (1, 3 or 6 months). The value of the hedged rate and the duration of this bond-equivalent are determined with a modelling process that is specific to the Retail channel and is reviewed on a yearly basis and validated by the relevant structures of Crédit Agricole Italia. Through a statistical analysis, the model breaks down a set of current accounts featuring the same behavioural aspects and product type (Retail current accounts under liabilities), into its different financial parts: stable part by volume (fixed-rate or variable-rate), and volatile part. The hedged part is the stable fixed-rate one.

Hedging of the CAP option on originated mortgage loans (variable rate):

The hedged item is limited to portion referring to interest rate risk. Hedging is done with IROs traded in order to hedge the risk that a variable-rate mortgage loan contract, once having reached its cap, becomes a fixed-rate item, with subsequent increase in Crédit Agricole Italia’s financial leverage. Every IRO is specifically traded in order to hedge portfolios of mortgage loans having the same financial characteristics (strike, market parameter, payment schedule,…). In this way, Crédit Agricole Italia achieves its objective of having essential specularity between the characteristics of the implied Cap rates of the mortgage loans and those of the IRO hedging them.

Qualitative disclosures

Financial derivatives held for hedging

A.1 FINANCIAL DERIVATIVES HELD FOR HEDGING: CLOSING NOTIONAL VALUES

Underlying assets/Type of derivative	Total 31.12.2019				Total 31.12.2018			
	Over-the-Counter			Organized markets	Over-the-Counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Debt securities and interest rates	-	24,145,647	-	-	-	22,967,380	-	-
a) Options	-	2,419,272	-	-	-	1,833,892	-	-
b) Swaps	-	21,726,375	-	-	-	21,133,488	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange and gold	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	-	24,145,647	-	-	-	22,967,380	-	-

A.2 FINANCIAL DERIVATIVES HELD FOR HEDGING: GROSS POSITIVE AND NEGATIVE FAIR VALUE BREAKDOWN BY PRODUCT

Type of derivatives	Positive and negative fair value								Change in the value used to assess hedge effectiveness	
	Total 31.12.2019				Total 31.12.2018					
	Over-the-Counter			Organized markets	Over-the-Counter			Organized markets	Total 31.12.2019	Total 31.12.2018
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties				
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements			
1. Positive fair value										
a) Options	-	23,575	-	-	-	60,095	-	-	23,575	60,095
b) Interest rate swaps	-	644,731	-	-	-	375,579	-	-	644,731	375,579
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**668,306**	**-**	**-**	**-**	**435,674**	**-**	**-**	**668,306**	**435,674**
2. Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	415,395	-	-	-	426,993	-	-	415,395	426,993
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**415,395**	**-**	**-**	**-**	**426,993**	**-**	**-**	**415,395**	**426,993**

A.3 OTC FINANCIAL DERIVATIVES HELD FOR HEDGING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUE BY COUNTERPARTY

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting arrangements				
1) Debt securities and interest rates	-	-	-	-
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and equity indices	-	-	-	-
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign exchange and gold	-	-	-	-
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities	-	-	-	-
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other	-	-	-	-
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates	-	**25,229,348**	-	-
- notional value	-	24,145,647	-	-
- gross positive fair value	-	668,306	-	-
- gross negative fair value	-	415,395	-	-
2) Equity securities and equity indices	-	-	-	-
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
3) Foreign exchange and gold	-	-	-	-
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
4) Commodities	-	-	-	-
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
5) Other	-	-	-	-
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-

A,4 RESIDUAL MATURITY OF OTC FINANCIAL DERIVATIVES HELD FOR HEDGING: NOTIONAL VALUES

Underlying asset/residual maturity	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	3,723,161	9,478,903	10,943,583	24,145,647
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3. Financial derivatives on foreign exchange rates and gold	-	-	-	-
A.4 Financial Derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31 Dec. 2019	**3,723,161**	**9,478,903**	**10,943,583**	**24,145,647**
Total 31 Dec. 2018	**2,968,250**	**9,555,926**	**10,443,204**	**22,967,380**

D. HEDGED ITEMS

D.1 FAIR VALUE HEDGES

	Micro-hedges: book value	Micro-hedges – net positions: book value of assets or liabilities (before netting)	Micro-hedges			Macro-hedges: book value
			Cumulative changes in the fair value of the hedged item	Termination of hedging: residual cumulative fair Value changes	Change in the value used to assess hedge effectiveness	
A. ASSETS						
Financial assets measured at fair value through other comprehensive income – hedging of:	**2,112,542**	**-**	**52,787**	**921**	**-**	
1.1 Debt securities and interest rates	2,112,542	-	52,787	921	-	X
1.2 Equity securities and equity indexes	-	-	-	-	-	X
1.3 Foreign exchange and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
Financial assets measured at amortized cost – hedging of:	**1,909,809**	**-**	**102,673**	**-**	**-**	
1.1 Debt securities and interest rates	1,908,178	-	102,425	-	-	X
1.2 Equity securities and equity indexes	-	-	-	-	-	X
1.3 Foreign exchange and gold	-	-	-	-	-	X
1.4 Loans	1,631	-	248	-	-	X
1.5 Other	-	-	-	-	-	X
Total 31 Dec. 2019	**4,022,351**	**-**	**155,460**	**921**	**-**	**-**
Total 31 Dec. 2018	**3,850,388**	**-**	**89,719**	**4,957**	**-**	**-**
B. LIABILITIES						
Financial liabilities measured at amortized cost – hedging of:						
1.1 Debt securities and interest rates	7,552,270	-	259,484	378	-	X
1.2 Foreign exchange and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total 31 Dec. 2019	**7,552,270**	**-**	**259,484**	**378**	**-**	**-**
Total 31 Dec. 2018	**6,939,409**	**-**	**3,406**	**295**	**-**	**-**

3.3 OTHER INFORMATION ON DERIVATIVE INSTRUMENTS (HELD FOR TRADING AND FOR HEDGING)

A. FINANCIAL AND CREDIT DERIVATIVES

A.1 OTC FINANCIAL AND CREDIT DERIVATIVES: NET FAIR VALUES BY COUNTERPARTY

	Central counterparties	Banks	Other financial companies	Other parties
A. Financial Derivatives				
1) Debt securities and interest rates	-	**28,646,452**	**258,068**	**3,134,281**
- notional value	-	27,502,401	255,437	3,084,692
- positive fair value	-	669,013	2,574	48,865
- negative fair value	-	475,038	57	724
2) Equity securities and equity indices	-	**873**	-	-
- notional value	-	187	-	-
- positive fair value	-	686	-	-
- negative fair value	-	-	-	-
3) Foreign exchange and gold	-	**331,144**	**5,431**	**324,753**
- notional value	-	326,280	5,341	320,034
- positive fair value	-	1,532	39	3,297
- negative fair value	-	3,332	51	1,422
4) Commodities	-	**6,325**	-	**6,325**
- notional value	-	5,896	-	5,912
- positive fair value	-	429	-	-
- negative fair value	-	-	-	413
5) Other	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
B. Credit derivatives				
1) Purchase and protection	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Sale and protection	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

SECTION 4 – LIQUIDITY RISK

Qualitative disclosures

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF LIQUIDITY RISK

General and organisational aspects

Liquidity risk reflects the possibility that Crédit Agricole Italia may not be able to meet its payment commitments, both expected and unexpected, without prejudicing its daily operations or its financial position. This risk is managed based on the following components:

- Management of short-term liquidity: its objective is to ensure the balance between liquidity inflows and outflows in the perspective of continuously supporting normal banking operations;
- Management of structural liquidity: its objective is to maintain the balance between total liabilities and medium-/long-term assets.

The Crédit Agricole Italia Banking Group implements a liquidity risk management model that is based on the principle of separation of liquidity management and measurement processes from control processes, in compliance with the regulatory requirements and with the guidelines issued by Crédit Agricole S.A.

This model provides for the governance and management of liquidity risk to be centrally performed by the Parent Company Crédit Agricole Italia, which is also responsible for the funding process of all the entities of the Crédit Agricole Italia Banking Group. This framework is defined as the “Liquidity System”.

The model lays down the responsibilities of the Corporate Bodies and Functions Holders involved, specifically:

- The Board of Directors, the body in charge of strategic oversight, is responsible for defining governance policies, the organizational structure and management processes. Specifically, it approves measurement methods, risk tolerance thresholds and the limits system, the assumptions at the basis of stress tests and the Contingency Funding Plan (Plan d’Urgence).
- The CFO, through the Finance Department, is the role responsible for management and, specifically, for the preparation of the reporting to the Bank of Italy, as well as of internal reporting on the Crédit Agricole Italia Banking Group’s liquidity situation (Liquidity Report). The Finance Department operates in compliance with the directions given by the ALM Committee;
- The Risk Management and Permanent Controls Department is responsible for the permanent controls arrangement, controls compliance with global and operational limits, as well as with alert thresholds, prepares the reporting to corporate Bodies and triggers, where required, the alert procedures. Jointly with the Finance Department, it is also responsible for monitoring the ratios/indicators provided for in the Contingency Funding Plan.

The process for the management of liquidity risk is governed by the relevant risk policy.

Risk Management and Control: methodological aspects

The model adopted for liquidity risk management is based on the monitoring of the short-term component (up to 12 months) and the medium/long-term one.

The main objective of the short-term liquidity management process is to ensure that Crédit Agricole Italia is able to meet its on-balance-sheet payment commitments, expected and unexpected, in such a way as not to prejudice normal business.

A basic condition for achieving this objective is to permanently maintain a sufficient balance between incoming and outgoing liquidity flow.

The liquidity risk monitoring system considers the following factors:

- Keeping immediate liquidity, i.e. the net balance of customer sources, excess own funds and loans to customers. This is carried out by recognizing cash inflows and outflows expected in the various ranges of residual maturity making up the maturity ladder;
- The continuation of the business activity based on planned rates (monitoring the performance of liquidity from loans to customers/customer sources).

An essential aspect of liquidity management is the definition of an interbank short-term refinancing limit (LCT – Limite Court Terme), which is fine-tuned in accordance with the guidelines issued by the French Parent Company Crédit Agricole S.A., which aims at limiting short-term funding on the market over a one-year time horizon in a market featuring stress conditions.

Short-term liquidity risk management and oversight policies aim at ensuring the surmounting of any crisis that leads to serious reduction in the Crédit Agricole Italia Banking Group's normal funding sources; in this regard, three stress scenarios have been identified:

- Systemic crisis: a situation that leads to partial closure of the short-term and medium-/long-term refinancing market, with continuing business operations. The Crédit Agricole Italia Banking Group must be able to continue operations over a time horizon of one year;
- Idiosyncratic crisis: a situation that leads to a bank run, partial closure of the short-term market and total closure of the medium-/long-term market with continuing business operations. In this scenario, the Crédit Agricole Italia Banking Group must be able to continue operations over a time horizon of three months;
- Global crisis: a situation having the combined features of both a systemic crisis and an idiosyncratic crisis, in terms of substantial bank run, total closure of the markets, use of reserves even though with write-downs. The Crédit Agricole Italia Banking Group must be able to continue business operations in a serious crisis over a time horizon of one month.

Within Short-Term Liquidity Risk monitoring, on a monthly basis Crédit Agricole Italia calculates its Liquidity Coverage Ratio (LCR= Stock of high quality liquid assets/Total net cash outflows in the subsequent 30 calendar days). LCR is a 30-day horizon ratio that simulates the combination of a systemic crises and an idiosyncratic one and measures the ability of the stock of liquid assets to ensure coverage of expected net cash outflows in the subsequent 30 calendar days.

Furthermore, in compliance with the guidelines issued by the French Parent Company Crédit Agricole S.A., constant compliance with the regulatory threshold is monitored through daily calculation of the Liquidity Coverage Ratio (LCR).

In 2019, in compliance with the Basel III regulatory framework, the Banks of the Group reported their LCRs (liquidity coverage ratios) and ALMM (Additional Liquidity Monitoring Metrics) to the Supervisory Authorities on a regular basis.

As at 31 December 2019, the Liquidity Coverage Ratio (LCR) of Crédit Agricole Italia was 212%, once again firmly above the set compliance requirements*.

Alert thresholds have also been implemented for the management medium-/long-term liquidity, by defining the ratios Position en Resources Stable (PRS) and Coefficient en Resources Stable (CRS). They aim at ensuring financial balance between stable founding (medium-/long-term funding on the market, funding from Customers, own funds) and long-term uses (non-current assets, loans to Customers, Customers' securities and LCR reserves). PRS and CRS positive levels substantiate the Crédit Agricole Italia Banking Group's ability to support its assets during a crisis.

Moreover, a concentration limit to MLT maturities (Concentration des tombées de dette MLT) has been set, which aims at ensuring balance between maturities of MLT resources and maturities of long-term uses.

* Since 1 January 2018, the minimum requirement on an individual basis has been set at 100%.

The resilience ratios and indicators for every one of the assumed scenarios are calculated on a monthly basis. These ratios and indicators have the purpose of monitoring compliance with the Crédit Agricole Italia Banking Group's risk appetite and are benchmarked against specific limits laid down by Crédit Agricole S.A. and approved by the Group Risk and Internal Control Committee, within the Risk Strategy submittal, and then submitted to the Board of Directors of the Parent Company Crédit Agricole Italia for its approval.

In March 2019, the Parent Company Crédit Agricole Italia issued Covered Bonds for a total of Euro 1,500 million (of which Euro 750 million placed with institutional investors and Euro 750 million self-held).

In January 2020, the Crédit Agricole Italia Banking Group went again to the market with a new dual-tranche issue of Covered Bonds with 8-year and 25-year maturities for Euro 500 million and Euro 750 million, respectively. The 25-year maturity tranche was the issue of covered bonds with the longest maturity ever offered in Italy.

With these transactions, the Crédit Agricole Italia Banking Group aims at further improving its liquidity profile diversifying funding sources and stabilizing them on longer maturities.

Crédit Agricole FriulAdria participates in the Covered Bond Programme transferring mortgage loans to the cover pool and obtaining its share of M/L term liquidity. Finally, in marketing the products of the Group's Banks, the internal transfer rate system takes account of the cost of liquidity. Based on the products' financial features and on the prevailing market conditions, the system allows the internal return rate to be determined, which, in turn, is the basis for the pricing of lending and direct funding products.

Risk control

The Risk Management and Permanent Controls Department is responsible for controlling compliance with the set limits; therefore it prepares and issues its own Financial Risk Report on a monthly basis, which includes information on the control outcomes and on any breaches of the limits or alert thresholds and, in case any limits or thresholds are exceeded, it asks the Finance Department for a recovery plan. On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to the Board of Directors of Crédit Agricole Italia. Finally, in case any limits are breached, the Risk Management and Permanent Controls Department shall inform, through the Alert Procedure, the relevant Top Bodies of the Crédit Agricole Italia Banking Group and the relevant roles and departments of Crédit Agricole SA.

Jointly with the Finance Department, the Risk Management and Permanent Controls Department is also responsible for monitoring the ratios provided for in the Contingency Funding Plan (CFP). The CFP of the Crédit Agricole Italia Banking Group is approved by the Board of Directors of the Parent Company Crédit Agricole Italia and applies to all the legal entities within the liquidity risk monitoring perimeter.

DISCLOSURE

The document "Disclosure" (Basel III Third Pillar) referring to 31 December 2019 is published on the website https://gruppo.credit-agricole.it/bilanci-Italia.

It is pointed out that the Crédit Agricole Italia Banking Group is controlled by a parent company based in the EU and, therefore, the conditions laid down in Part One, Title II, Chapter 2, Article 13, Paragraph 1 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) on "Application of disclosure requirements on a consolidated basis" are met.

Quantitative disclosures

1. Breakdown of financial assets and liabilities by residual contract maturity

Items/Timeframe (Euro)	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets	**2,422,143**	**113,183**	**192,410**	**1,243,484**	**2,669,804**	**2,077,642**	**3,435,517**	**17,717,791**	**19,797,294**	**3,681,207**
A.1 Government securities	25	-	382	-	53,033	29,032	221,495	4,213,900	1,590,111	-
A.2 Other debt securities	5	-	-	-	-	-	9,253	20,000	361	135,250
A.3 Units of collective investment undertakings	23,832	-	-	-	-	-	-	-	-	-
A.4 Loans	2,398,281	113,183	192,028	1,243,484	2,616,771	2,048,610	3,204,769	13,483,891	18,206,822	3,545,957
- banks	115,684	249	267	601,919	667,115	621,515	142,209	817,457	906,150	3,545,957
- customers	2,282,597	112,934	191,761	641,565	1,949,656	1,427,095	3,062,560	12,666,434	17,300,672	-
On-balance-sheet liabilities	**35,043,325**	**50,923**	**36,375**	**122,325**	**190,421**	**1,519,917**	**665,954**	**6,535,244**	**6,218,429**	**-**
B.1 Deposits and current accounts	34,747,397	-	-	65,925	5,832	434	24,993	225,800	808,100	-
- banks	747,019	-	-	65,639	-	-	15,015	225,800	808,100	-
- customers	34,000,378	-	-	286	5,832	434	9,978	-	-	-
B.2 Debt securities	113,293	50,923	35,746	52,017	178,957	90,866	95,091	3,714,742	4,492,055	-
B.3 Other liabilities	182,635	-	629	4,383	5,632	1,428,617	545,870	2,594,702	918,274	-
Off-balance-sheet transactions	**122,581**	**87,207**	**21,383**	**157,661**	**214,318**	**170,295**	**198,523**	**201,857**	**135,092**	**-**
C.1 Financial derivatives with exchange of principal	-	85,628	7,521	148,728	130,487	133,929	56,104	64,040	92	-
- long positions	-	43,214	3,760	74,353	65,247	66,970	28,061	32,076	46	-
- short positions	-	42,414	3,761	74,375	65,240	66,959	28,043	31,964	46	-
C.2 Financial derivatives without exchange of principal	122,581	1,579	13,862	8,933	83,831	36,366	142,419	137,817	135,000	-
- long positions	57,789	1,579	13,751	8,930	57,338	26,993	102,017	137,817	-	-
- short positions	64,792	-	111	3	26,493	9,373	40,402	-	135,000	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Items/Timeframe (other currencies)	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets	**72,536**	**67,183**	**26,507**	**24,397**	**50,946**	**12,488**	**1,887**	**11,199**	**3,613**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.4 Loans	72,536	67,183	26,507	24,397	50,946	12,488	1,887	11,199	3,613	-
- banks	35,959	61,892	14,730	-	4,211	-	548	-	-	-
- customers	36,577	5,291	11,777	24,397	46,735	12,488	1,339	11,199	3,613	-
On-balance-sheet liabilities	**215,343**	**7,937**	**16,054**	**11,069**	**23,288**	**11,288**	**62**	**-**	**-**	**-**
B.1 Deposits and current accounts	215,137	7,937	16,054	11,069	23,288	11,288	62	-	-	-
- banks	6,768	7,937	12,884	11,069	20,402	11,288	-	-	-	-
- customers	208,369	-	3,170	-	2,886	-	62	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	206	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**23,992**	**108,637**	**7,462**	**147,978**	**130,906**	**134,663**	**57,268**	**62,284**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	84,747	7,462	147,978	130,728	134,626	57,268	62,284	-	-
- long positions	-	41,905	3,731	73,989	65,364	67,301	28,634	31,142	-	-
- short positions	-	42,842	3,731	73,989	65,364	67,325	28,634	31,142	-	-
C.2 Financial derivatives without exchange of principal	317	-	-	-	-	-	-	-	-	-
- long positions	158	-	-	-	-	-	-	-	-	-
- short positions	159	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	23,675	23,890	-	-	178	37	-	-	-	-
- long positions	23,675	-	-	-	178	37	-	-	-	-
- short positions	-	23,890	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

As at 31 December 2019, the Parent Company Crédit Agricole Italia was carrying out two so-called “internal” securitization transactions transferring receivables deriving from mortgage loans so called “fondiari” (real estate mortgage loans with duration of more than 18 months and ratio between the loan amount and the value of the collateral not higher than 80%) secured by first mortgage.

As at 31 December 2019, the residual debt of securitized loans amounted to Euro 2,338 million.

Subsequent to the transfer of the mortgage loans, the Parent Company fully subscribed the securities (Senior and Junior) having the following features:

- Securitization 1:
  - Senior: nominal value Euro 765 million, maturity 31 January 2058, indexed to EUR 6M+0.35%;
  - Junior: nominal value Euro 390 million, maturity 31 January 2058, indexed to EUR 6M+0.60% + variable portion;

- Securitization 2:
  - Senior: nominal value Euro 802 million, maturity 30 April 2060, indexed to EUR 6M+0.75%;
  - Junior: nominal value Euro 453 million, maturity 30 April 2060, indexed to EUR 6M+0.90% + variable portion;

In order to provide the SPE with liquidity to pay the coupons, two Interest Rate Swap transactions were carried with the SPE for a notional value of Euro 765 million and Euro 802 million, respectively, with maturities on 31 January 2058 and 30 April 2060; the derivative amortization reflects the amortization of the senior security.

Section 5- Operational risks

Qualitative disclosures

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF OPERATIONAL RISK

The Crédit Agricole Italia Banking Group has adopted the definition of operational risk given in "Basel 2 – International Convergence of Capital Measurement and Capital Standards" prepared by the Basel Committee on Banking Supervision.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

To consolidate and enhance control of operational risks, the Crédit Agricole Italia Banking Group has set clear objectives:

- To achieve full compliance with the requirements set by the Supervisory regulations for internal control systems (Bank of Italy Circular no. 285/2013 as updated);
- To maintain constant full compliance of Crédit Agricole Italia and Crédit Agricole FriulAdria with the regulatory requirements for the use of the Traditional Standardised Approach (TSA) and full compliance of Crédit Agricole Leasing with the requirements for the use of the Basic indicator approach (BIA)l.
- To constantly improve the monitoring of risks and losses, in order to allow a management- oriented approach, especially in terms of risk mitigation and prevention initiatives, as well as risk culture dissemination;
- Fine-tuning of the permanent controls systems and extension of the coverage of the same controls within the company perimeter.

Macro-organisational aspects

Governance of the Crédit Agricole Italia Banking Group's operational risks is the responsibility of the Risk Management and Permanent Controls Department of Crédit Agricole Italia, which implements the guidelines issued by the Risk Management Department of the Controlling Company Crédit Agricole S.A., and reports on a solid line to the latter.

The Risk Management and Permanent Controls Department performs risk management and control activities for all the Companies of the Crédit Agricole Italia Banking Group.

In compliance with the supervisory regulations, the Crédit Agricole Italia Banking Group has formalized the roles and responsibilities of the corporate bodies and structures involved in the management of operational risks.

The governance model provides for:

- A centralized strategy for the control of operational risks;
- Close connections with the activities for permanent controls;
- Synergies with the Compliance Department and with the Internal Audit Department.

Risk management

The Crédit Agricole Italia Banking Group has adopted a model that is consistent with the guidelines issued by Crédit Agricole and governed by the central department, which works with the well-established and complementary contributions, in its operating, management and mitigation activities, of specialized roles, departments and arrangements:
- ORM (Operational Risk Manager, Italian acronym: MRO);
- Control on Outsourced Important Operational Functions/Provision of Outsourced Essential Services (Italian acronyms FOIE/PSEE) and on Physical Security;
- PRSI (Pilote des Risques SI), in charge of monitoring and control of IT risks on the Information System and on the Business Continuity Plan (BCP or with the Italian acronym PCO);
- CISO (Chief Information Security Officer), who is responsible for the security of corporate information;
- Information Security Manager (ISM): who is responsible for the implementation and management of the Information System operational security;
- Business Continuity Manager (BCM), who is responsible for the Group's Business Continuity Plan;
- Persons in charge of Controls, within the Distribution Network structures, with the task of performing 2nd degree 1st level permanent controls;
- Structures, systems and tools, instrumental for proper risk control and for the management of mitigation/improvement actions, including:
  - The Risk and Internal Control Committee;
  - The FOIE/PSEE Interfunctional Unit for the Provision of Outsourced Important Operational Functions and the Provision of Outsourced Essential Services;
  - The BCP (Business Continuity Plan) Interfunctional Unit;
  - The Supervisory Committee on IT Security and on BCP of the Parent Company Crédit Agricole S.A. (CSSCA, Supervisory Committee on Security and Business Continuity);
  - The system of permanent controls for the Distribution Network, together with early warning indicators;
  - Work Groups for Improvement.

The upgrading of the process for the management and control of operational risks to the guidelines issued by Crédit Agricole S.A. has been intended for the harmonization with the general methods used throughout the Group and consists of the macro-phases listed below:
- Detection, identification and classification of risks and losses and their recognition in the accounts where necessary;
- Assessment and measurement of the risk profile for every corporate environment;
- Identification of mitigation actions and preparation of the action plan;
- Verification of the adequacy of the control plan;
- Verification of the controls actual implementation;
- Verification of correct exercise of mitigation actions;
- Information and reporting.

In the above phases, the following processes are also applied:
- Loss data collection (recording, classification and processing of loss data);
- Risk self-assessment (self-assessment of the exposure to operational risks relating to the specific structures engaged in operating functions and the relevant processes);
- Direct involvement of corporate departments in collective assessment work groups (FOIE/PSEE, improvement…).

Each one of these processes entails information processing based on methods that are predefined, repeatable and formalized in the Company's regulations, as well as with the support of specific application tools.

Risk mitigation

The Crédit Agricole Italia Banking Group has implemented a policy for operational risk mitigation through:
- Specific self-assessment activities (so-called "Self-Risk Assessment") aimed at defining an annual Action Plan, which is submitted to Board of Directors and contains all the initiatives that the owners of the various corporate processes have identified as required in order to mitigate existing operational risks;

- Implementation and increasing coverage of the permanent controls plan, both on the Distribution Network and on Central Departments, in order to have the most critical processes fully under control;
- A fraud prevention system governed by the Compliance Department;
- Implementation of the arrangement for control and monitoring on outsourced essential services (FOIE/ PSEE):
- Implementation of the arrangement for control and monitoring on physical security;
- Implementation of the function for control and monitoring of Information and Communication Technology (ICT) Risk (including the Business Continuity Plan, BCP).

Transfer of risk

The Structure in charge of Control on the Insurance Coverage of the Crédit Agricole Italia Banking Group, which is part of the Operational Risks Division of the Risk Management and Permanent Controls Department, is responsible for the process that governs the insurance policies covering the Group's insurable risks and for the definition of the regulations governing it.

The implemented insurance strategy provides – through specific policies – for the coverage of material events having exceptional nature and not for the coverage of recurring routine events having medium-low amounts (the so-called expected losses). It follows that the insurance policies in force cover events that are not frequent but that could have severe consequences, consistently with the insurance approach of the Crédit Agricole Group and in full compliance with the guidelines issued by the Regulator.

Where the outcomes of specific assessments prove it appropriate, the Structure in charge shall:

- Transfer insurable risks underwriting specific insurance policies, in order to mitigate the impact of any unexpected losses and in accordance with the best practices in the System;
- Coordinate with Crédit Agricole S.A., in order to ensure full consistency between the transfer strategy and the objectives of the Crédit Agricole Italia Banking Group.
- Exercise control on and provide support to the various corporate structures in outsourcing management, with specific focus on the outsourcing of Important Operational Functions;
- Perform controls and specific analyses on the insurance policies underwritten by the Providers of Outsourced Important Operational Functions (FOIE), in order to assess their adequacy to the risks associated with the outsourced essential services.

Risk management oversight and shared solutions

This is the specific task of the Crédit Agricole Italia Banking Group's Risk and Internal Control Committee, composed of the main Corporate Function Holders, which is responsible for:

- Approving guidelines and action plans on operational risks;
- Acknowledging the LDC (Loss Data Collection) outcomes;
- Monitoring control activities and outcomes, as well as periodically validating the mapping of operational risks;
- Governing Business Continuity for the Crédit Agricole Italia Banking Group;
- Monitoring and, if necessary, taking action on Information and Communication Technology (ICT) Risk for the Crédit Agricole Italia Banking Group, assessing the situation based on the periodic reporting made by the PRSI (Pilote des Risques SI) and by the CISO (Chief Information Security Officer) .
- Assessing the dossiers on outsourced important operational functions and essential services (FOIE/PSEE) for the Crédit Agricole Italia Banking Group;
- Managing risk transfer, with specific reference to insurance coverage.

FOIE – Outsourced Essential Services (called PSEE – Provisions of Outsourced Essential Services – by Crédit Agricole S.A.)

The FOIE/PSEE Control function, performed by a unit that is part of the Operational Risks and Permanent Controls Division of the Risk Management and Permanent Controls Department, governs the system of controls on compliance of the process implemented for outsourced essential services; it is also responsible for specific matters in the definition of risk monitoring controls and provides management and methodological support. The FOIE/PSEE control function chairs and steers the Interfunctional Unit for the Provision of Outsourced Essential Services/Outsourced Important Operational Functions (Italian acronyms: PSEE/FOIE).

In 2019, the most important actions concerned:

- The process to revise the ""Regulation Implementing the Group Outsourcing Policy", the perimeter of which includes all types of outsourcing and which, together with the "Policy for the Outsourcing of Corporate Functions":
  - Governs the general process system, taking account also of the actual experience gained internally, as well as of the System best practices;
  - Provides for the activities and obligations for the outsourcing of Information Systems;
  - Lays down the specifications for the outsourcing of cash handling;
- Strong support to the corporate structures in the phases of outsourcing management, aimed both at proper implementation of the process and at wider dissemination of a culture on outsourcing and analysis of the related risks;
- The review and upgrading by the FOIE/PSEE Control Function of the monitoring tools used for outsourced essential services, in order to properly perform its tasks;
- The implementation of general monitoring and increasing the awareness of the outsourced service owners as regards their responsibilities, using also:
  - A specific "Tableau de bord", managed by the structure in change of control of FOIE/PSEE and aimed, depending on the respective responsibilities, at acquiring all information and updates required to control compliance of all relationships (in terms of agreements and execution) with the regulatory guidelines, both Supervisory and corporate ones;
  - Regular updating of the permanent controls plan;
  - Systematic exercise of specific activities (e.g. risk assessment, participation in work groups), also in cooperation with the corporate structures concerned, for direct monitoring of FOIE-related operational risks.

In 2019, the activities of the Interfunctional Units for the Provision of Outsourced Essential Services/Outsourced Important Operational Functions (Italian acronyms: PSEE/FOIE) continued, mainly aiming at:

- Verifying that the requirements for classification as essential are met or continue to be met for newly-outsourced or already outsourced services, respectively;
- Analyzing and managing the critical situations that actually occurred;
- Increasing awareness of the relevant Corporate Structures in order for them to implement the most suitable solutions to maintain full compliance of all outsourced services they own with the applicable legislation and regulations.

The most important results concerned the robustness of contracts with vendors and the consolidation of methods, approaches and culture on this matter, all foreboding satisfactory general quality within the outsourcing of Important Operational Functions (FOI).

Business Continuity Plan (Italian acronym: PCO)

In 2019, the Crédit Agricole Italia Banking Group continued to update and verify its Business Continuity Plan to take account of the changes in the scenario and in the Group's organisational, technology and logistic infrastructure.

In 2019, the main activities were:

- Full implementation of the actions to comply with the Supervisory regulations (Bank of Italy Circular No. 285/2013) as regards the technical-organizational changes occurred in the Group;
- Full implementation of the method adopted by the French Parent Company Crédit Agricole S.A. for Business Continuity Management;
- The implementation, on a regular basis, of testing and certification sessions concerning the solutions for the restoration of IT Systems (both mainframe and departmental environments, networks and TLC, Security Control-room) and the critical processes in the business continuity perimeter, including special scenarios of "massive unavailability of servers or workstations (WS)" and "logic unavailability of the information system with restarting from scratch";
- Full implementation of the procedures provided for by the Crisis Management Organizational Model (Italian acronym MOGC) regarding the management of data availability;
- The adequacy assessment and analysis of business continuity plans and of the relevant tests of providers of

Outsourced Important Operational Functions (FOIE), setting up the new category of NON-FOIE providers that are involved in critical processes

- The updating of the Business impact analysis (BIA);
- The updating of contingency Operational Plans (back-up solutions to be triggered in case of crisis);
- Comparison to third-party solutions (e.g. EBA), participating in the simulations of such solutions; The reliability of the business continuity plan was favourably verified by the structures engaged in control functions.

Loss data

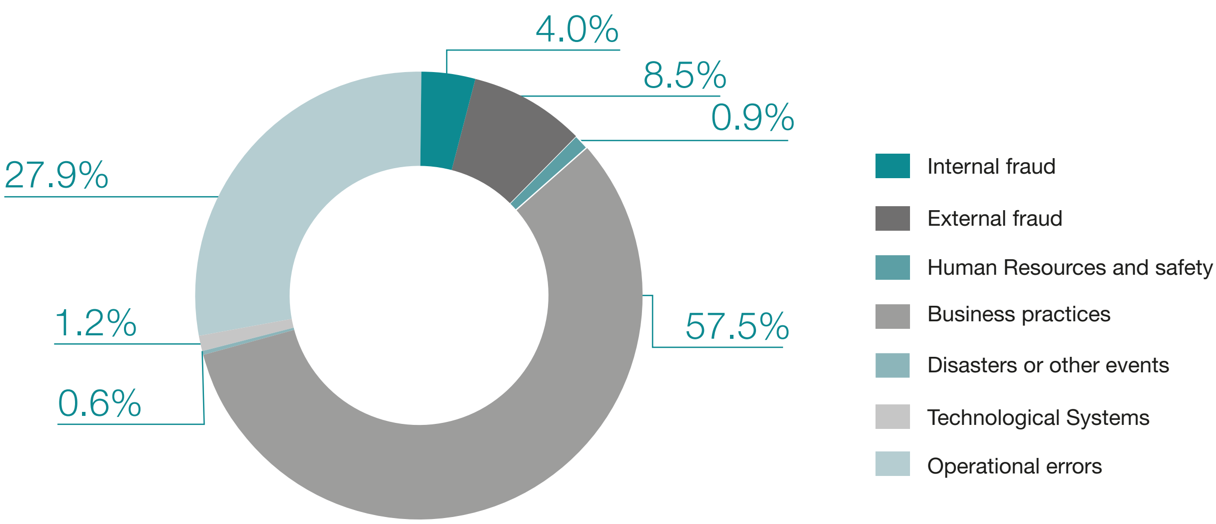
Operational losses, which the model considers as quantitative data, are collected, managed and analyzed, to different levels of granularity and detail, using an event classification scheme complying with the one set by the Basel II Framework, by the Supervisory Authority and by Crédit Agricole S.A. The basic structure is as follows:

- Internal frauds: events due to deliberate acts committed by at least one party internal to Crédit Agricole Italia and causing losses to the Bank;
- External frauds: events due to deliberate acts committed exclusively by parties that cannot be defined as internal to the Bank, generally for the purpose of personal gain;
- Personnel relations and workplace safety: events regarding the relations between the Company and its personnel or regarding noncompliance of the workplace with health and safety standards. These include liabilities arising from accidents to employees occurred in Crédit Agricole Italia's offices or vehicles;
- Business practices: events linked to the supply of products and provision of services to Customers carried out in an improper or negligent manner (fiduciary requirements and adequate information on investments), as well as defects in the nature or features of products/models/contracts. These include liabilities arising from breach of public security laws or other legislation not specific to the banking sector;
- Disasters or other events: events due to natural causes or human actions, which lead to damage to company resources (tangible or intangible property, persons, etc.) and/or service interruptions or other events (including improper conduct/illegal acts by third-party companies that damage the Company). The category also includes liabilities arising from political changes and retroactive changes in legislation and taxation;
- Technological systems and services: losses arising from malfunctions, logical or structural defects in technological and other support systems;
- Execution, delivery and management of processes: events arising from unintentional errors in the management of operational and support activities or caused by counterparties other than Customers and Vendors.

For Loss Data Collection and for reporting consolidated loss data, the Crédit Agricole Italia Banking Group has implemented an IT application especially designed for the adoption of advanced approaches, as well as specific tools and models developed directly by Crédit Agricole S.A.

QUANTITATIVE DISCLOSURES

With reference to sources of operational risk, the breakdown of net losses (gross losses net of other collection excluding insurance-related ones) by event type recognized in 2019 is given below. Any so-called "boundary losses" have been excluded.,



PART F – INFORMATION ON EQUITY

Section 1 – Shareholders' equity

A. QUALITATIVE DISCLOSURES

The own funds management policy implemented by Crédit Agricole Italia is aimed at maintaining a consistent level of resources in order to be able to cope at any time with the risks taken.

B. QUANTITATIVE DISCLOSURES

B.1 SHAREHOLDERS' EQUITY: BREAKDOWN

The breakdown of equity as at 31 December 2019 is given below:

Items/Values	31.12.2019	31.12.2018
1. Capital	979,233	962,672
2. Share premium reserve	3,118,381	3,118,249
3. Reserves	1,318,750	1,218,490
- retained earnings		
a) legal reserve	176,950	164,343
b) reserve provided for by the Articles of Association	683,627	589,045
c) treasury shares	-	-
d) other	455,350	462,288
- other	2,823	2,814
4. Equity instruments	715,000	715,000
5. (Treasury Shares)	-	-
6. Valuation reserves	-44,790	-106,427
- Equity securities designated at fair value through other comprehensive income	-6,418	-2,290
- Hedging of equity securities designated at fair value through other comprehensive income	-	-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	7,114	-63,462
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedging of investments in foreign operations	-	-
- Cash flow hedges	-	-
Hedging instruments (non-designated elements)	-	-
- Foreign exchange differences	-	-
- Non-current assets held for sale and discontinued operations	-	-
Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
- Actuarial gains (losses) pertaining to defined-benefit pension plans	-45,486	-40,675
- Share of Valuation Reserves on investees measured using the equity method	-	-
- Special revaluation laws	-	-
7. Profit (Loss) for the period	302,571	252,124
Total	**6,389,145**	**6,160,108**

B.2 VALUATION RESERVES OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN

Assets/Values	Total 31.12.2019		Total 31.12.2018	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	9,191	2,077	-	63,462
2. Equity securities	2,631	9,049	1,102	3,392
3. Loans	-	-	-	-
Total	**11,822**	**11,126**	**1,102**	**66,854**

B.3 VALUATION RESERVES OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: CHANGES FOR THE YEAR

	Debt securities	Equity securities	Loans
1. Opening balance	**-63,462**	**-2,289**	**-**
2. Increases	**78,467**	**4,285**	**-**
2.1 Fair value gains	70,899	4,213	-
2.2 Adjustments for credit risk	719	X	-
2.3 Reclassification to profit or loss of negative reserves from disposal	6,849	X	-
2.4 Transfers to other equity components (equity securities)	-	54	-
2.5 Other changesl	-	18	-
3. Decreases	**7,891**	**8,414**	**-**
3.1 Fair value losses	-	8,364	-
3.2 Recoveries for credit risk	-	-	-
3.3 Reclassification to profit or loss of positive reserves from disposal	-	X	-
3.4 Transfers to other equity components (equity securities)	-	50	-
3.5. Other changes	7,891	-	-
4. Closing Balance	**7,114**	**-6,418**	**-**

B.4 VALUATION RESERVES RELATING TO DEFINED-BENEFIT PLANS: CHANGES FOR THE YEAR

	31.12.2019
1. Opening balance	**-40,675**
2. Increases	**1,531**
2.1 Actuarial gains	689
2.2. Other changes	842
3. Decreases	**6,342**
3.1 Actuarial losses	3,695
3.2. Other changes	2,647
4. Closing Balance	**-45,486**

Section 2 – Own Funds and supervisory requirements

Please, refer to the disclosure on own funds and capital adequacy contained in Sections 2 and 3 of the public disclosure (“Basel III Pillar 3”), on the website of the Crédit Agricole Italia Banking Group https://gruppo.credit-agricole.it/bilanci-ca-italia, concomitantly with the publication of the Annual Report and Financial Statements.

PART G – BUSINESS COMBINATIONS

Section 1 – Business combinations made in the reporting year

In the reporting year, no business combination was carried out with counterparties not belonging to the Crédit Agricole Italia Banking Group (to be recognized with the "purchase method" in accordance with IFRS 3 "Business Combinations").

On the other hand, as regard corporate reorganization between companies belonging to the same group, in the reporting period, backdated for accounting and tax purposes to 1 January 2019, the mergers by absorption of Crédit Agricole Carispezia and of the Real Estate Companies Unibanca Immobiliare, Carice Immobiliare (formerly subsidiaries of Cassa di Risparmio di Cesena) and San Genesio Immobiliare (formerly a subsidiary Cassa di Risparmio di San Miniato) were finalized.

For accounting purposes, in accordance with the international accounting standards, the merger qualifies as a business combination of entities under common control. These combinations are generally carried out only with purposes of corporate reorganization within a group and, therefore, do not fall within the scope of application of IFRS 3 "Business Combinations".

Consistently with the approach that the Crédit Agricole Italia Banking Group uses to recognize these combinations, the mergers by absorption have been recognized in the Parent Company's separate Financial Statements in accordance with the "continuity of values" principle, also based on the Preliminary Interpretation Guidelines of the Italian Associations of Auditors of the Accounts.

For the mergers in question, the application of the aforementioned "continuity of values" principle determined the recognition – in the Parent Company' separate financial statements – of all the balances of the balance sheets, income statements and equity statements of the absorbed entities, as of the effective date for accounting purposes of the merger and without recognizing the effects through profit or loss as at that date.

The following items were derecognized:
- Reciprocal accounts receivable and payable;
- Costs and revenues from the transactions between the surviving entity Crédit Agricole Italia and the absorbed entities;
- The values of the equity investments from the Parent Company's separate financial statements;
- The equity balances of the absorbed entities.

Section 2 – Business combinations made after the reporting date

No business combinations were made after the reporting date.

Section 3 – Retrospective Adjustments

No retrospective adjustments are to be reported.

PART H – TRANSACTIONS WITH RELATED PARTIES

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

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

The regulation issued by the Bank of Italy on 12 December 2011, on risk 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. 17221/2010) and has been designed to "control the risk that the closeness of some persons to Crédit Agricole Italia'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 Crédit Agricole Italia'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 expected 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 Persons associated to the Crédit Agricole Italia Banking Group", in order to give the Crédit Agricole Italia Banking Group a specific internal regulation on this matter and to harmonize the various regulations in force; the Document was then updated on 29 July 2014.

Finally, 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.

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 (the Italian Securities and Exchange Commission) 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 for 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 Crédit Agricole Italia Banking Group and lays down procedures and timeframes for the provision of reporting and appropriate documentation on the transactions (i) to independent Directors/Related Party Committee, as well as, where necessary, (ii) to the control bodies.

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

Related parties

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 in the supervised intermediary allowing the exercise of Significant Influence;
   3. Exercises control on the bank or on the 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 the 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 in 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 under common 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 Crédit Agricole Italia Banking Group refer to the same perimeter of associated persons as determined by the Parent Company.

1. INFORMATION ON REMUNERATION OF MANAGERS TASKED WITH STRATEGIC RESPONSIBILITIES

In the light of the above-mentioned Regulation, "Managers with strategic responsibilities include persons" having direct and indirect power and responsibility over the planning, management and control of the operations of Crédit Agricole Italia, including Directors, both executive and non-executive, and the members of control bodies.

The remuneration of Directors and Auditors is established with specific resolutions passed by the General Meeting of Shareholders.

The table below reports the amounts of the main benefits awarded to Directors, Auditors and Managers tasked with strategic responsibilities.

	31.12.2019
Short-term employee benefits	9,662
Post-employment benefits	225
Other long-term benefits	-
Employee severance benefits	-
Share-based payments	-

2. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are the transfer of resources, services or obligations between the Company (or companies it directly and/or indirectly controls) and one or more of the related parties, independently of whether payment was agreed or not. Transactions carried out with related parties have followed the specific procedures provided for by the aforementioned Regulation.

TYPE OF RELATED PARTIES	Financial assets held for trading	Financial assets through other comprehensive income	Financial assets measured at amortized cost: loans to Customers	Financial assets measured at amortized cost: due from Banks	Financial liabilities measured at amortized cost: due to Customers	Financial liabilities measured at amortized cost: due to Banks	Guarantees given
Controlling Company	-	-	509,987	-	904,687	-	1,730
Entities exercising significant influence on the Company	-	-	-	-	-	23,881	3
Subsidiaries	5	-	2,859,151	1,804,318	1,346,193	510,844	40,591
Associates	1	-	-	10,499	-	5,353	135
Directors and Managers with strategic responsibilities	-	-	-	1,748	-	1,680	680
Other related parties	277	400	431,214	5,142,370	508,557	636,002	256,675
Total	**283**	**400**	**3,800,352**	**6,958,935**	**2,759,437**	**1,177,760**	**299,814**

Main income transactions with related parties

Amounts in thousands of Euro	Net interest income	Dividends and similar income	Net fee and commission income	Personnel expenses
Controlling Company	- 12,537	-	- 983	306
Entities exercising significant influence on the Company	37	-	208	-
Subsidiaries	2,674	44,060	2,570	8,836
Associates	254	-	381	-
Directors and Managers with strategic responsibilities	16	-	125	9,887
Other related parties	59,177		366,109	223
Total	**49,621**	**44,060**	**368,410**	**19,252**

PART I – SHARE-BASED PAYMENTS

Qualitative disclosures

SHARE-BASED PAYMENTS

Crédit Agricole Italia has no agreements in place for payments based on its shares.

The share capital increase by the French Parent Company Crédit Agricole S.A., in favour of all Employees of the Crédit Agricole S.A. Group was completed in July 2019 with the assignment of shares its Employees.

The Employees were given the opportunities to invest in shares of Crédit Agricole S.A. with a 20% discount vs. market value. These shares will be tied for the following five years (until 31 May 2024), at the end of which time each employee may freely dispose of them.

In 2019, this financial transaction entailed a cost equal to the discount applied to the shares subscribed, which had – as a balancing item in accordance with IFRSs – an identical increase in equity through a specific reserve.

Quantitative disclosures

The specific reserve, as reported in the previous paragraph, amounts to Euro 8 thousand.

PART L – SEGMENT REPORTING

Operations and income by business segment

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

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

Crédit Agricole Italia operates through an organizational structure that includes: the Retail and Private Banking channels, serving individuals, households and small businesses; the Corporate Banking channel, serving larger-size businesses. Therefore, given the features of the Crédit Agricole Italia Banking Group, the Other channel is of a residual nature and includes the activities pertaining to central departments, with specific reference to governance.

Income statement data are reported consistently with the reclassified financial statement layouts given in the Management Report and compared with the 2018 figures net of non-recurring items, while balance sheet data are state consistently with the statutory layouts.

The Retail Banking, Private Banking and Financial Advisors channels achieved operating income of Euro 1,332 million, consisting of Euro 667 million worth of net interest income and Euro 669 million worth of net fee and commission income; the allocated operating costs came to Euro 809 million, thus with operating profit of Euro 522 million. Net of the Cost of Risk coming to Euro 97 million and after taxes, Net Profit came to Euro 314 million.

The Corporate Banking channel achieved operating income of Euro 245 million, consisting of Euro 137 million worth of net interest income and Euro 100 million worth of net fee and commission income. Operating costs came to Euro 57 million, with an operating profit of Euro 187 million; the weight of the cost of risk was Euro 112 million, with a new profit of Euro 55 million.

Assets by segment (point-in-time volumes) consisted of net loans to Customers; as at 31 December 2019, the assets of the Retail Banking, Private Banking and FA channels amounted to Euro 23.1 billion and accounted for 59% of the total figure; the assets of the Corporate Banking channel came to Euro 16.2 billion accounting for the remaining 41%.

Liabilities by segment (point-in-time volumes) consisted of direct Funding from Customers; within this aggregate, funding from Customers of the Retail Banking, Private Banking and FA channels came to Euro 27.7 billion and accounted for 78% of the total balance; direct funding from Customers of the Corporate Banking channel came to Euro 6.9 billion accounting for 19% of the aggregate.

It is pointed out that unallocated assets and liabilities include all the other balance sheet typical items: exposures in the interbank market, funding through covered bonds, property, plant and equipment and intangible assets used in operations, tax assets and liabilities, specific-purpose provisions and other items.

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

Segment reporting as at 31 December 2019

	Retail Bnkg, Private Bnkg and Financial Advisors	Corporate Bnkg	Other	Total
External operating income:				
Net interest income	667,090	137,427	2,928	807,445
Net fee and commission income	669,364	100,341	7,078	776,783
Profit (loss) on trading activities	2,822	7,728	-2,963	7,587
Dividend income			55,404	55,404
Other net operating revenues	-7,495	-531	11,017	2,991
Total operating income	**1,331,781**	**244,965**	**73,464**	**1,650,210**
Personnel and administrative expenses and depreciation and amortization	-809,364	-57,343	-162,432	-1,029,139
Operating profit (loss)	**522,417**	**187,622**	**-88,968**	**621,071**
Losses on impairment of other financial assets	-93,477	-108,342	-1,965	-203,784
Provisioning for risks	-3,783	-4,384	-3	-8,170
Total Cost of Risk	**-97,260**	**-112,726**	**-1,968**	**-211,954**
Profit (losses) on equity investments – Profit on disposal of investments	-	-	221	221
Profit (loss) by segment	**425,157**	**74,896**	**-90,715**	**409,338**
Profit before taxes	**425,157**	**74,896**	**-90,715**	**409,338**
Taxes	-110,893	-19,535	23,661	-106,767
Profit for the FY	**314,264**	**55,361**	**-67,054**	**302,571**
Assets and liabilities				
Assets by segment (customers + intangibles)	23,058,746	16,206,773	13,923	39,279,442
Equity investments in associates	-	-	1,074,438	1,074,438
Unallocated assets	-	-	19,258,929	19,258,929
Total assets	**23,058,746**	**16,206,773**	**20,347,290**	**59,612,809**
Liabilities by segment	27,692,432	6,945,546	1,072,426	35,710,404
Unallocated liabilities	-	-	17,513,260	17,513,260
Total liabilities	**27,692,432**	**6,945,546**	**18,585,686**	**53,223,664**

Segment reporting as at 31 December 2018

	Retail Bnkg, Private Bnkg and Financial Advisors	Corporate Bnkg	Other	Total
External operating income:				
Net interest income	584,447	121,847	-1,743	704,551
Net fee and commission income	576,181	94,588	11,272	682,041
Profit (loss) on trading activities	2,990	5,086	13,520	21,596
Dividend income			68,241	68,241
Other net operating revenues	-6,634	-465	10,281	3,182
Total operating income	**1,156,984**	**221,056**	**101,571**	**1,479,611**
Personnel and administrative expenses and depreciation and amortization	-747,970	-52,485	-162,945	-963,400
Operating profit (loss)	**409,014**	**168,571**	**-61,374**	**516,211**
Losses on impairment of other financial assets	-86,636	-100,364	-15,741	-202,741
Provisioning for risks	-621	884	21,868	22,131
Total Cost of Risk	**-87,257**	**-99,480**	**6,127**	**-180,610**
Profit (losses) on equity investments – Profit on disposal of investments	-	-	-1,317	-1,317
Profit (loss) by segment	**321,757**	**69,091**	**-56,564**	**334,284**
Profit before taxes	**321,757**	**69,091**	**-56,564**	**334,284**
Taxes	-79,081	-16,981	13,902	-82,160
Profit for the FY	**242,676**	**52,110**	**-42,662**	**252,124**
Assets and liabilities				
Assets by segment (customers + intangibles)	20,783,387	15,325,585	-	36,108,972
Equity investments in associates	-	-	1,371,395	1,371,395
Unallocated assets	-	-	18,346,462	18,346,462
Total assets	**20,783,387**	**15,325,585**	**19,717,857**	**55,826,829**
Liabilities by segment	26,471,227	5,859,759	703,224	33,034,210
Unallocated liabilities	-	-	16,632,511	16,632,511
Total liabilities	**26,471,227**	**5,859,759**	**17,335,735**	**49,666,721**

PART M – LEASE REPORTING

SECTION 1 – LESSEE

Qualitative information

The additional information on leases required by IFRS 16, which applies to reporting periods starting on or after 1 January 2019, is given below.

For Crédit Agricole Italia, the scope of application comprises property leases and car rentals. Property leases represent the mostly impacted scope, accounting for over 99% of the value of the right-of-use assets recognized as at the date of first-time adoption; those leases concern properties used as branches, officers and guest accommodation.

Quantitative information

RIGHT OF USE

Lease type (*)	Right-of-Use value as at 1/1/2019	Depreciation for the period	Other changes	Impairment loss for the period	Right-of-Use value as at 31.12.2019	Number of contracts as at 31.12.2019
Buildings used in operations	157,601	-26,579	15,714	-	146,736	546
Land used in operations	172	-	-	-	172	1
Buildings used for investment	4,315	-2,093	2,959	-	5,181	231
Other property, plant and equipment assets: motor-vehicles	837	-501	850	-	1,186	161
Total	**162,925**	**- 29,173**	**19,523**	**-**	**153,275**	**939**

(*) Data including the contracts of Crédit Agricole Carispezia, which was absorbed into Crédit Agricole Italia in 2019

LEASE LIABILITY

Lease type	Liability as at 1.1.2019	Interest expenses	Cash outflows	Other changes	Remaining liability as at 31.12.2019	Remaining liability – Breakdown by term to maturity			
						maturity < 1 year	Term to maturity between 1 and 3 years	Term to maturity between 3 and 6 years	Term to maturity of over 6 years
Buildings and land used in operations	160,179	3,328	-30,003	16,651	150,155	25,912	47,155	47,181	29,907
Buildings used for investment	4,315	50	-2,059	2,955	5,261	2,064	2,701	376	120
Other property, plant and equipment assets: motor-vehicles	837	8	-503	847	1,189	543	573	73	-
Total	**165,331**	**3,386**	**-32,565**	**20,453**	**156,605**	**28,519**	**50,429**	**47,630**	**30,027**

OTHER DATA

Breakdown of real estate operating lease contracts by geographical area and by annual lease payment bracket

REGION	Lease payments up to €5 thousand	Lease payments from €5 to 50 thousand.	Lease payments from €50 to 100 thousand.	Lease payments above €100 thousand.	Total
EMILIA ROMAGNA	13	226	25	7	271
LOMBARDY	5	90	32	13	140
TUSCANY	6	63	21	10	100
CAMPANIA		35	20	12	67
LIGURIA	9	43	8	5	65
PIEDMONT	2	36	19	5	62
LAZIO		23	8	21	52
OTHER		14	4	2	20
Total	**35**	**530**	**137**	**75**	**777**

Frequency of payment instalment by lease type

Lease type	Instalment frequency	Number of contracts
Properties used in operations	Monthly	51
	Quarterly	432
	Half-yearly	52
	Other	11
	Total	**546**
Properties used for investment	Quarterly	227
	Other	4
	Total	**231**
Motor-vehicles	Monthly	161
	Total	**161**
Total		**938**

All property lease contracts are linked to the cost-of-living index published by ISTAT (the Italian National Institute of Statistics).

Lease contracts out of the IFRS 16 scope of application (recognition exemptions par. 5 IFRS 16)

Crédit Agricole Italia has applied par. 6 of IFRS16 to short-term leases and to leases with the underlying asset having modest value.

The table below reports the information of which in par. 53 letter d) of IFRS16.

Lease type	Short-term leases - 2019 payments	Low value leases - 2019 payments
Real Estate properties	4,880	168
Motor-vehicles	213	0
PoS systems	0	8,518
Other	450	0
Total (net of VAT)	**5,543**	**8,686**

SECTION 2 – LESSOR

Qualitative information

The information of which in par. 97 of IFRS 16 in force since January 2019 is given below.

Quantitative information

3. OPERATING LEASES

3.1 CLASSIFICATION OF PAYMENTS TO BE RECEIVED BY TIME BAND

Time bands	Lease payments To be received
Up to 1 year	3,882
From over 1 year to 2 years	3,779
From over 2 years to 3 years	3,772
From over 3 years to 4 years	3,715
From over 4 years to 5 years	3,650
Over 5 years	10,252
Total	**29,050**

The lease payments to be received in the table regard property lease contracts.

There were no variable lease payments not included in the reported amounts and there were no purchase options on the leased asset.

FINANCIAL STATEMENTS OF THE CONTROLLING COMPANY CRÉDIT AGRICOLE S.A.*

Disclosure pursuant to Article 2497-bis of the Italian Civil Code.

ACTIF

	31.12.2018	31.12.2017
Opérations interbancaires et assimilées	**147,976**	**137,626**
Caisse. banques centrales	8,306	1,659
Effets publics et valeurs assimilées	14,863	15,834
Créances sur les établissements de crédit	124,807	120,133
Opérations internes au Crédit Agricole	**314,865**	**301,090**
Opérations avec la clientèle	**3,997**	**4,070**
Opérations sur titres	**32,775**	**31,346**
Obligations et autres titres à revenu fixe	32,768	31,325
Actions et autres titres à revenu variable	7	21
Valeurs immobilisées	**64,728**	**63,560**
Participations et autres titres détenus à long terme	878	885
Parts dans les entreprises liées	63,719	62,538
Immobilisations incorporelles	18	24
Immobilisations corporelles	113	113
Capital souscrit non versé	**-**	**-**
Actions propres	**41**	**27**
Comptes de régularisation et actifs divers	**18,852**	**17,900**
Autres actifs	5,828	5,087
Comptes de régularisation	13,024	12,813
Total actif	**583,234**	**555,619**

* For more exhaustive information, please go to the website www.credit-agricole.com

PASSIF

	31.12.2018	31.12.2017
Opérations interbancaires et assimilées	**90,959**	**91,821**
Banques centrales	7	3
Dettes envers les établissements de crédit	90,952	91,818
Opérations internes au Crédit Agricole	**34,798**	**36,667**
Comptes créditeurs de la clientèle	**249,555**	**237,100**
Dettes représentées par un titre	**108,489**	**89,031**
Comptes de régularisation et passifs divers	**20,773**	**20,925**
Autres passifs	7,382	7,382
Comptes de régularisation	13,391	13,543
Provisions et dettes subordonnées	**27,349**	**29,869**
Provisions	2,302	1,334
Dettes subordonnées	25,047	28,535
Fonds pour risques bancaires généraux	**1,152**	**1,112**
Capitaux propres hors FRBG	**50,159**	**49,094**
Capital souscrit	8,599	8,538
Primes d’émission	12,375	12,206
Réserves	12,591	12,686
Écart de réévaluation	-	-
Provisions réglementées et subventions d’investissement	15	15
Report à nouveau	13,839	14,085
Résultat de l’exercice	2,740	1,564
Total passif	**583,234**	**555,619**

HORS-BILAN DE CRÉDIT AGRICOLE S.A.

	31.12.2018	31.12.2017
Engagements donnés	**22,515**	**20,751**
Engagements de financement	5,115	4,652
Engagements de garantie	17,369	16,088
Engagements sur titres	31	11

	31.12.2018	31.12.2017
Engagements reçus	**73,112**	**72,324**
Engagements de financement	60,820	61,214
Engagements de garantie	12,272	11,110
Engagements sur titres	20	-

COMPTE DE RESULTAT DE CRÉDIT AGRICOLE S.A.

	31.12.2018	31.12.2017
Intérêts et produits assimilés	10,113	11,164
Intérêts et charges assimilées	(11,411)	(12,118)
Revenus des titres à revenu variable	3,860	1,593
Commissions (produits)	903	942
Commissions (charges)	(648)	(680)
Gains ou pertes sur opérations des portefeuilles de négociation	(105)	443
Gains ou pertes sur opérations des portefeuilles de placement et assimilés	175	139
Autres produits d'exploitation bancaire	192	16
Autres charges d'exploitation bancaire	(171)	(42)
Produit net bancaire	2,908	1,457
Charges générales d'exploitation	(737)	(753)
Dotations aux amortissements et aux dépréciations sur immobilisations incorporelles et corporelles	(10)	(9)
Résultat brut d'exploitation	2,161	695
Coût du risque	(9)	14
Résultat d'exploitation	2,152	709
Résultat net sur actifs immobilisés	(10)	634
Résultat courant avant impôt	2,142	1,343
Résultat exceptionnel	-	-
Impôt sur les bénéfices	638	255
Dotations/reprises de FRBG et provisions réglementées	(40)	(34)
Résultat net de l'exercice	**2,740**	**1,564**

REPORTING ON PUBLIC FUNDING

Public funding transparency requirements are laid down in Article 1, paragraphs 125-129, of Italian Law no. 124/2017 but the wording gave rise to several problems in terms of interpretation and application.

The worries expressed by trade associations (including Assonime, the Italian Association of Joint-stock Companies) were for the most part solve by Article 35 of Italian Decree Law no. 34/2019 (Growth Decree), which, in many cases, clarifies important matters, in order to streamline and rationalize the aforementioned requirements.

The Law establishes the obligation to disclose, in the note to the financial statements as at 31 December 2019 – and, where applicable, in the note to the consolidated financial statements – the amounts of and other information on “grants, subsidies, advantages, contributions or aids, in money of in kind, not given in general and other than considerations, remuneration or compensations, received from public administration bodies and other identified entities” (hereinafter for short “public funding”).

Noncompliance with these obligations is punished with a civil fine equal to 1% of the received amounts, with a minimum fine of Euro 2,000 and the ancillary penalty of complying with the disclosure obligation. If the offender does not comply with the set disclosure obligation and does not pay the fine within 90 days of its imposition, it shall be required to return the all the amounts received to the entities that granted them.

In order to prevent accumulation of non-relevant information, the Euro 10,000 threshold has been kept, below which the recipient is not required to disclose any information on the received public funding.

Furthermore, in August 2017 the Italian national State Aid Registry was set up at the Directorate-general for business incentive at the Italian Ministry of Economic Development, where all State aids and small amount aids to businesses shall be entered by those that give or manage such aids.

For the aids to Crédit Agricole Italia, please refer to the “Registry Transparency” section, which is publicly available.

DISCLOSURE OF THE FEES FOR THE AUDIT OF THE ACCOUNTS AND OTHER SERVICES PURSUANT TO THE ITALIAN CIVIL CODE AT ARTICLE 2427 PARAGRAPH 16-BIS

FEES FOR:	31.12.2019
Statutory audit of annual accounts	878
Certification services	577
Other services	56
Total	**1,511**

Annexes

INTERNATIONAL ACCOUNTING STANDARDS/ INTERNATIONAL FINANCIAL REPORTING STANDARDS ENDORSED UP TO 31 DECEMBER 2019

List of IASs/ IFRSs		Endorsing EU Regulation
IFRS 1	First-time adoption of International Financial Reporting Standards	1136/2009 – 550/2010 – 574/2010 – 662/2010 – 149/2011 – 1205/2011 -1255/2012-183/2013-301/2013-313/2013 - 2343/2015- 2441/2015 – 182/2018
IFRS 2	Share-based payments	1126/2008 – 1261/2008 – 495/2009 - 243/2010 - 244/2010 - 28/2015 – 289/2018
IFRS 3	Business Combinations	495/2009 – 149/2011 – 1361/2014 - 28/2015 - 412/2019
IFRS 4	Insurance contracts	1126/2008 – 494/2009 – 1165/2009 – 1988/2017
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1126/2008 – 494/2009 – 243/2010 - 2343/2015
IFRS 6	Exploration for and Evaluation of Mineral Resources	1126/2008
IFRS 7	Financial Instruments: disclosures	1126/2008 – 70/2009 – 495/2009 – 824/2009 – 1165/2009 – 574/2010 – 149/2011 – 1205/2011 – 1256/2012 – 2343/2015 – 2406/2015
IFRS 8	Operating Segments	1126/2008 – 243/2010 – 632/2010 – 28/2015
IFRS 9	Financial Instruments	2067/2016 – 498/2018
IFRS 10	Consolidated Financial Statements	1254/2012 – 313/2013 – 1174/2013 – 1703/2016
IFRS 11	Joint Arrangements	1254/2012 – 313/2013 – 2173/2015 – 412/2019
IFRS 12	Disclosure of Interests in Other Entities	1254/2012 – 313/2013 – 1174/2013 – 1703/2016
IFRS 13	Fair Value Measurement	1255/2012 – 1361/2014 – 28/2015
IFRS 15	Revenue from Contracts with Customers	1905/2016 – 1987/2017
IFRS 16	Leases	1986/2017
IAS 1	Presentation of Financial Statements	1274/2008 – 53/2009 – 70/2009 – 494/2009 – 243/2010 – 149/2011 – 301/2013 – 2113/2015 – 2406/2015
IAS 2	Inventories	1126/2008 – 70/2009
IAS 7	Statement of Cash Flows	1126/2008 – 53/2009 – 70/2009 – 494/2009 – 243/2010 – 2017/1990
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1126/2008 – 70/2009
IAS 10	Events after the Reporting Period	1126/2008 – 70/2009 – 1142/2009
IAS 11	Construction Contracts	1126/2008
IAS 12	Income Taxes	1126/2008 – 495/2009 – 1255/2012 – 2017/1989 - 412/2019
IAS 16	Property, Plant and Equipment	1126/2008 – 70/2009 – 70/2009 – 495/2009 – 301/2013 – 28/2015 – 2113/2015 – 2231/2015 –
IAS 18	Revenue	1126/2008 – 69/2009
IAS 19	Employee Benefits	1126/2008 – 70/2009 – 29/2015 - 2343/2015 – 412/2019
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1126/2008 – 70/2009
IAS 21	The Effects of Changes in Foreign Exchange Rates	1126/2008 – 69/2009 – 494/2009 – 149/2011
IAS 23	Borrowing Costs	1260/2008 – 70/2009 – 2113/2015 – 412/2019
IAS 24	Related Party Disclosures	1126/2008 – 632/2010 – 28/2015
IAS 26	Accounting and Reporting by Retirement Benefit Plans	1126/2008
IAS 27	Separate Financial Statement	494/2009 – 1254/2012 – 1174/2013 – 2441/2015
IAS 28	Investments in Associates and Joint Ventures	1126/2008 – 70/2009 – 494/2009 – 495/2009 – 149/2011 – 1254/2012 – 2441/2015 – 1703/2016 – 182/2018 – 237/2019
IAS 29	Financial Reporting in Hyperinflationary Economies	1126/2008 – 70/2009
IAS 31	Interests in Joint Ventures	1126/2008 – 70/2009 – 494/2009 – 149/2011

List of IASs/ IFRSs		Endorsing EU Regulation
IAS 32	Financial Instruments: Presentation	1126/2008 – 53/2009 – 70/2009 – 494/2009 – 495/2009 – 1293/2009 149/2011 – 1256/2012 – 301/2013
IAS 33	Earnings per share	1126/2008 – 494/2009 – 495/2009
IAS 34	Interim Financial Reporting	1126/2008 – 70/2009 – 495/2009 – 149/2011 – 301/2013 - 2343/2015- 2406/2015
IAS 36	Impairment of assets	1126/2008 – 69/2009 – 70/2009 – 495/2009 – 243/2010 – 1174/2013 – 2113/2015
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1126/2008 – 495/2009
IAS 38	Intangible Assets	1126/2008 – 70/2009 – 495/2009 – 243/2010 – 28/2015 – 2231/2015
IAS 39	Financial Instruments: Recognition and Measurement (except for some provisions concerning hedge accounting)	1126/2008 – 53/2009 – 70/2009 – 494/2009 – 495/2009 – 824/2009 – 839/2009 – 1171/2009 – 243/2010 – 149/2011- 1375/2013 – 1174/2013
IAS 40	Investment Property	1126/2008 – 70/2009 – 1361/2014 - 2113/2015 – 400/2018
IAS 41	Agriculture	1126/2008 – 70/2009 – 2113/2015
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1126/2008
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments	1126/2008 – 301/2013
IFRIC 4	Determining whether an Arrangement contains a Lease	1126/2008 – 254/2009
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1126/2008 – 70/2009 – 1142/2009
IFRIC 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1126/2008
IFRIC 7	Applying the Restatement Approach under IAS 29. Financial Reporting in Hyperinflationary Economies	1126/2008
IFRIC 8	Scope of IFRS 2	1126/2008
IFRIC 9	Reassessment of Embedded Derivatives	1126/2008 – 495/2009 – 1171/2009 – 243/2010
IFRIC 10	Interim Financial Reporting and Impairment	1126/2008
IFRIC 11	IFRS 2 – Group and Treasury Shares Transactions	1126/2008
IFRIC 12	Service Concession Arrangements	254/2009
IFRIC 13	Customer Loyalty Programmes	1262/2008 – 149/2011
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1263/2008 – 633/2010
IFRIC 15	Agreements for the Construction of Real Estate	636/2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	460/2009
IFRIC 17	Distributions of Non-cash Assets to Owners	1142/2009
IFRIC 18	Transfers of Assets from Customers	1164/2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	662/2010
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1255/02012
IFRIC 21	Levies	634/2014
IFRIC 22	Foreign Currency Transactions and Advance Consideration	519/2018
IFRIC 23	Uncertainty over Income Tax Treatments	1595/2018
SIC 7	Introduction of the Euro	1126/2008 – 494/2009
SIC 10	Government Assistance – No Specific Relation to Operating Activities	1126/2008
SIC 12	Consolidation – Special Purpose Entities	1126/2008
SIC 13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers	1126/2008
SIC 15	Operating Leases – Incentives	1126/2008
SIC 21	Income Taxes – Recovery of Revalued Non-depreciable Assets	1126/2008

List of IASs/ IFRSs		Endorsing EU Regulation
SIC 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	1126/2008
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1126/2008
SIC 29	Service Concession Arrangements: Disclosures	1126/2008 – 254/2009
SIC 31	Revenues – Barter Transactions involving Advertising Services	1126/2008
SIC 32	Intangible Assets – Website Costs	1126/2008

List of International Accounting Standards whose coordinated text has been adopted with Commission Regulation (EC) No. 1126/2008 of 3 November 2008. The aforementioned Regulation was published in the Official Journal of the European Union – Legislation Series (OJ L) 320, 29.11.2008, pp. 1-481) and replaces and repeals Commission Regulation (EC) No 1725/2003.

The number and date of the EC Regulations endorsing the subsequent amendments and supplements are given next to the relevant item.

Source EFRAG – The EU endorsement process – Position as at 23 January 2020

TAX INFORMATION ON RESERVES

Tax information on equity reserves

	Reserves and provisions that do not contribute to Shareholders' income in case of distribution	Reserves and provisions that, in case of distribution, contribute to the Company's taxable income	Reserves and provisions that, in case of distribution, contribute to the Shareholders' taxable income	Undistributable valuation reserves
Share premium reserve	3,075,937	42,444	-	-
Reserve – Contributions for share capital increase	-	-	-	-
Reserve pursuant to Italian Legislative Decree No. 124/1993- Art. 13	-	314	-	-
Legal reserve	-	-	176,950	-
Extraordinary reserve	-	-	1,121,162	-
Reserve from first time adoption of IAS/IFRS	-	-	-97,651	-
Reserve from tax adjustment from first time adoption of IAS/IFRS for realignment of tax and reporting values	-	-	12,318	-
Valuation reserve for other corridor elimination	-	-	-5,076	-
Reserve from measurement of OCIRE securities	-	-	-	7,114
Reserve from measurement of OCINR securities	-	-	-	-6,418
Reserve from actuarial valuation – employee severance benefits and defined-benefit pension plan	-	-	-	-45,486
Undistributable extraordinary reserve of capital gains on securities at FV	-	-	-	222
Reserve for share-based payments	517	-	1,066	-
Reserve for free assignation of shares	-	-	1,240	-
Reserve from adjustment of Transfer Purchase Price	-	-	605	-
Reserve from interest on Additional Tier 1 instruments	-	-	-91,802	-
Reserve for purchases of business units	-	-	-	-
Reserve for disposal of business units	-	-	549	-
Reserve from OCINR category securities for sale	-	-	2,898	-
Extraordinary reserve of undistributable dividends on treasury shares	-	-	5	-
IFRS 9FTA reserve	-	-	-347,953	-
Reserve for Carim FTA IAS 19 revised	-	-	-305	-
Merger surplus	-	543,691	-	-
Total	**3,076,454**	**586,449**	**774,006**	**- 44,568**
Reserve subject to tax deferral arrangements Law 266/2005 included in capital	-	21,391	-	-

Shareholders' equity: possible use and distributability (pursuant to Article 2427 – paragraph 7-bis)

Liabilities	Amount		Possible uses (*)	Distributable portion	Summary of uses in last three years	
					To cover losses	other uses
Capital		979,233	-	-	-	-
Of which for reserve subject to tax deferral arrangements Law 266/2005	21,391		-	-	-	-
Equity instruments		715,000	-	-	-	-
Share premium reserve		3,075,937	A, B , C (4)	3,075,937	-	-
Share premium reserve taxable pursuant to Law 266/2005		42,444	A, B (2), C (3)	42,444	-	-
Reserves		1,318,750	-	-	-	-
Legal reserve	176,950		A (1), B	-	-	-
Extraordinary reserve	1,121,162		A, B, C	1,121,162	-	-
Reserve pursuant to Italian Legislative Decree No. 124/1993- Art. 13	314		A, B, C	314	-	-
Reserve for share-based payments	1,583		A, B, C	1,583	-	-
Reserve for free assignation of shares	1,240		A, B, C	1,240	-	-
Reserve from adjustment of Transfer Purchase Price	605		A, B, C	605	-	-
Reserve for purchases of business units	-		A, B, C	-	-	-
Reserve for disposal of business units	549		A, B, C	549	-	-
Reserve from OCINR category securities for sale	2,898		A, B, C	2,898	-	-
Reserve from interest on. Additional Tier 1 instruments	-91,802		A, B, C	-91,802	-	-
Reserve from first time adoption of IAS/IFRS	-97,651		-	-	-	-
Reserve from tax adjustment from first time adoption of IAS/IFRS for realignment of tax and reporting values	12,318		-	-	-	-
IFRS 9 FTA reserve	-347,953		-	-	-	-
Valuation reserve for other corridor elimination	-5,076		-	-	-	-
Reserve for Carim FTA IAS 19 revised	-305		-	-	-	-
Undistributable extraordinary reserve of capital gains on securities at FV	222		(5)	-	-	-
Extraordinary reserve of undistributable dividends on treasury shares	5		-	-	-	-
Merger surplus	543,691		A, B, C	543,691	-	-
Valuation reserves		-44,790	-	-	-	-
Reserve from measurement of OCIRE securities	7,114		-	-	-	-
Reserve from measurement of OCINR securities	-6,418		-	-	-	-
Reserve from actuarial valuation – employee severance benefits and defined-benefit pension plan	-45,486		-	-	-	-
Net profit for the period		302,571	-	-	-	-
Total		**6,389,145**		**4,698,621**	**-**	**-**

(*) A: For capital increase B: To cover losses C: For distribution to Shareholders.

(1) Usable for share capital increase (A) for the portion exceeding one fifth of the share capital.

(2) If the reserve is used to cover losses, no profits may be distributed until such reserve is restored or reduced by the same amount. The reduction must be approved by the Extraordinary General Meeting of Shareholders without applying the provisions of the second and third paragraphs of Article 2445 of the Italian Civil Code

(3) Unless the reserve is transferred to share capital, it may only be reduced with the application of the provisions of Article 2445 paragraphs 2 and 3 of the Italian Civil Code. If distributed, it shall contribute to the Company's taxable income.

(4) Distributable when the legal reserve has reached the fifth one of the share capital.

(5) Undistributable reserve pursuant to Article.6 of Italian Legislative Decree no. 38/2005

OWNED PROPERTY SUBJECT TO REVALUATION PURSUANT TO SPECIAL LAWS

List of owned property items that have been revaluated and are still recognized by Crédit Agricole Italia, setting forth the revaluation amount pursuant to Article 10 of Italian Law No. 72 of 19 March 1983.

Description	Book value net of revaluations	Law no. 74 11 Feb. 1962	Law no. 823 of 19 Feb. 1973	Law no. 576 of 2 Feb. 1975	Law no. 72 of 19 March 1983	Law no. 218 of 30 July 1990	Law no. 408 of 29 Dec. 1990	Law no. 413 of 30 Dec, 1991	Merger '94	Law 185/08	Deemed cost	Total cost	Accumulated depreciation as at 31 Dec. 2019	Net book value as at 31 Dec. 2019
VIA UNIVERSITÀ, 1 - PARMA	2,429,748	-	510,263	195,089	2,039,910	6,708,770	-	428,631	-	-	-	12,312,412	2,813,513	9,498,900
LA SPEZIA-CORSO CAVOUR 86, 94, 100	15,569,082	-	-	401,545	1,603,647	3,118,336	-	1,164,756	-	-	-	21,857,366	10,437,648	11,419,718
VIA CAVESTRO, - PARMA	1,942,726	-	385,900	-	1,501,229	3,609,776	-	389,474	-	-	-	7,829,106	2,620,749	5,208,357
LA SPEZIA-PIAZZA VERDI 43	1,488,511	-	-	-	203,259	141,229	-	104,793	-	-	-	1,937,791	1,347,065	590,726
LA SPEZIA-PIAZZA GARIBALDI 11,14,15	2,083,350	-	-	-	-	248,904	-	68,478	-	-	-	2,400,732	1,670,446	730,287
AGENZIA CITTA' N,1 - PARMA	833,165	-	99,914	-	249,070	983,272	-	378,832	-	-	-	2,544,252	1,407,946	1,136,306
LA SPEZIA-VIA SARZANA 25/39	1,706,616	-	-	-	159,356	264,582	-	94,216	-	-	-	2,224,771	1,596,021	628,750
AGENZIA CITTA' N,3 - PARMA	1,516,561	-	56,793	3,788	285,627	807,691	-	189,474	-	-	-	2,859,934	1,601,417	1,258,517
LA SPEZIA-VIA COLOMBO 121/129	1,061,937	-	-	-	231,608	215,178	-	106,104	-	-	-	1,614,826	1,202,053	412,773
AGENZIA CITTA' N,6 - PARMA	1,066,819	-	2,406	25,203	112,926	159,997	-	166,015	-	-	-	1,533,365	935,790	597,575
SARZANA-VIA MARCONI 6/10	570,274	-	-	-	-	75,313	-	20,107	-	-	-	665,694	491,683	174,011
LEVANTO-CORSO ITALIA 22	2,358,920	-	-	-	-	7,353	-	117,929	-	-	-	2,484,201	1,831,405	652,796
AGENZIA CITTA' N,8 - PARMA	994,647	-	37	-	382,861	887,578	-	319,388	-	-	-	2,584,512	1,371,298	1,213,214
BRUGNATO-VIA BRINIATI 20	483,895	-	-	-	-	127,067	-	43,974	-	-	-	654,935	515,968	138,967
AGENZIA CITTA' N,9 - PARMA	617,948	-	15,987	-	186,612	319,851	-	149,334	-	-	-	1,289,733	703,210	586,522
FIVIZZANO-VIA ROMA	1,033,337	-	-	-	-	61,448	7,445	70,857	-	-	-	1,173,087	688,992	484,095
LA SPEZIA-CORSO NAZIONALE 1/3	1,127,767	-	-	-	-	328,874	-	45,497	-	-	-	1,502,137	985,171	516,966
LA SPEZIA-VIALE MAZZINI 23/31	638,011	-	-	-	-	331,678	-	9,447	-	-	-	979,135	594,876	384,259
AGENZIA CITTA' N,4 - PARMA	3,831,492	-	-	-	-	1,954,872	-	607,415	-	-	-	6,393,778	4,121,960	2,271,818
FOLLO-VIA ALDO MORO 119/123	614,440	-	-	-	-	49,667	-	879	-	-	-	664,986	498,091	166,895
AGENZIA CITTA' N,2 - PARMA	998,632	-	-	-	-	702,580	-	81,752	-	-	-	1,782,965	923,088	859,877
LERICI-VIA GERINI 54/66	1,886,597	-	-	-	-	286,365	-	81,078	-	-	-	2,254,040	1,604,247	649,794
TALIGNANO	657,722	-	-	-	-	1,710,026	289,767	-	-	-	-	2,657,515	628,013	2,029,501
LERICI-SAN TERENZO DI LERICI - VIA MATTE	429,490	-	-	-	-	120,382	-	7,718	-	-	-	557,591	361,279	196,311
CA GREEN LIFE VIA LA SPEZIA 138/A P	78,610,575	-	-	-	-	22,803,265	42,608	3,941,633	-	-	-	105,398,081	36,660,560	68,737,520
MONTEROSSO AL MARE-VIA ROMA 47/49	511,179	-	-	-	-	126,073	-	3,263	-	-	-	640,515	418,126	222,389
PARMA - VIA SPEZIA -(PODERE MARTINELLA)	3,847,950	-	-	-	-	42,090	-	-	-	-	-	3,890,039	-	3,890,039

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SARZANA	3,341,078	-	-	-	336,412	151,630	-	224,815	-	-	-	4,053,934	2,920,116	1,133,818
ALBARETO	193,065	-	-	-	-	64,005	-	22,958	-	-	-	280,027	191,195	88,832
LA SPEZIA-VIA FIUME 293/299	1,382,951	-	-	-	172,169	127,874	-	85,263	-	-	-	1,768,256	1,239,848	528,408
BARDI	139,132	-	11,930	5,967	61,540	106,574	-	76,594	-	-	-	401,737	249,937	151,800
LICCIANA NARDI-VIA PROVINCIALE 23	7,240	-	-	-	-	26,585	-	12,575	-	-	-	46,400	18,352	28,048
BASILICANOVA	312,598	-	-	-	57,102	167,520	13,316	147,621	-	-	-	698,157	367,270	330,887
SANTO STEFANO DI MAGRA-PIAZZA MATTEOTTI	378,366	-	-	-	-	150,836	-	6,091	-	-	-	535,293	387,596	147,697
ORTONOVO-VIA AURELIA 248/252	524,442	-	-	-	-	19,306	-	25,241	-	-	-	568,989	450,614	118,375
BEDONIA - NUOVA SEDE	628,586	-	-	-	-	182,435	-	112,306	-	-	-	923,327	564,358	358,969
LA SPEZIA-CORSO NAZIONALE 9/11	35,880	-	-	-	-	41,382	-	9,764	-	-	-	87,026	27,295	59,731
BERCETO	153,751	-	2,161	11,500	61,274	87,586	-	55,926	-	-	-	372,197	212,625	159,572
CALICE AL CORNOVIGLIO-VIA MARCONI 2	123,595	-	-	-	-	17,175	-	1,980	-	-	-	142,749	104,618	38,131
BORGOTARO	475,181	-	11,389	18,401	95,615	128,117	-	16,994	-	-	-	745,698	451,921	293,777
BOLANO-VIA MANZONI 1/5	1,479,762	-	-	-	-	366,774	-	131,993	-	-	-	1,978,529	1,523,644	454,885
BUSSETO FILIALE	724,786	-	22,360	-	-	468,356	-	100,485	-	-	-	1,315,988	757,623	558,365
LA SPEZIA-VIA DELLA SPRUGNOLA 10	3,880,104	-	-	-	-	371,132	-	253,378	-	-	-	4,504,614	3,485,291	1,019,323
LA SPEZIA-PIAZZA CADUTI DELLA LIBERTA -	4,105,244	-	-	-	-	443,693	-	262,165	-	-	-	4,811,103	3,620,978	1,190,125
CALESTANO	63,907	-	9,321	1,911	47,801	94,609	-	17,398	-	-	-	234,947	130,011	104,936
LERICI-SAN TERENZO DI LERICI VIA BIAGGIN	13,676,641	-	-	-	-	3,287,968	-	1,580,071	-	-	-	18,544,680	9,262,513	9,282,166
COENZO	371,668	-	1,808	-	-	138,121	-	9,465	-	-	-	521,062	309,222	211,840
LICCIANA NARDI-VIA ROMA 14	813,301	-	-	-	-	97,505	-	-	-	-	-	910,806	741,382	169,424
COLLECCHIO	2,107,646	-	-	-	-	288,117	-	191,196	-	-	-	2,586,959	1,339,494	1,247,465
BEVERINO-VIA AURELIA NORD 54	335,067	-	-	-	-	41,624	-	18,300	-	-	-	394,990	309,871	85,119
COLORNO - NUOVA SEDE	957,352	-	-	-	-	786,454	-	108,667	-	-	-	1,852,473	1,054,768	797,704
VILLAFRANCA IN LUNIGIANA-VIA CHIUSURA 38	906,335	-	-	-	-	218,682	-	58,845	-	-	-	1,183,862	912,138	271,724
CORNIGLIO	151,514	-	26,353	928	48,146	194,040	-	35,078	-	-	-	456,059	212,716	243,343
BARBARASCO DI TRESANA-VIA EUROPA 23	722,008	-	-	-	-	80,186	-	47,582	-	-	-	849,776	695,185	154,591
FIDENZA AGENZIA N,1	2,108,296	-	83,677	29,665	215,527	307,531	-	-	-	-	-	2,744,696	1,165,471	1,579,225
LA SPEZIA-VIA MARALUNGA	1,782,881	-	-	-	-	105,729	-	1,512,010	-	-	-	3,400,621	1,537,225	1,863,395
FIDENZA AGENZIA N,2	615,559	-	-	-	28,659	345,710	-	48,093	-	-	-	1,038,021	561,034	476,987
LA SPEZIA-VIALE SAN BARTOLOMEO 629	703,705	-	-	-	-	65,547	-	145,997	-	-	-	915,248	842,348	72,900
FONTANELLATO	760,617	-	29,897	-	111,655	379,247	-	15,582	-	-	-	1,296,998	698,261	598,737
SESTA GODANO-VIA ROMA 34 CPD2016	651,409	-	-	-	-	13,364	-	41,276	-	-	-	706,050	550,434	155,616
FORNOVO TARO	1,211,968	-	8,156	19,437	-	198,065	-	14,142	-	-	-	1,451,768	807,166	644,602

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PORTOVENERE-VIA GARIBALDI 5	1,870,682	-	-	-	-	81,023	-	89,171	-	-	-	2,040,877	1,651,156	389,721
LANGHIRANO	1,026,937	-	42,532	12,128	90,543	562,140	-	50,672	-	-	-	1,784,952	672,822	1,112,130
SANTO STEFANO DI MAGRA-PONZANO DI MAGRA	7,900	-	-	-	-	900	-	-	-	-	-	8,800	3,481	5,319
MEDESANO	228,288	-	18,132	9,531	108,953	219,782	-	40,468	-	-	-	625,153	309,784	315,369
SARZANA - PALLODOLA-VIA VARIANTE AURELIA	541,889	-	-	-	-	15,897	-	25,821	-	-	-	583,608	420,424	163,184
MILANO	2,390,584	-	-	-	-	1,555,993	-	158,469	-	-	-	4,105,046	2,639,948	1,465,098
CARRARA-VIA GARIBALDI 35/A	2,687,651	-	-	-	-	43,972	-	112,869	-	-	-	2,844,492	1,470,687	1,373,805
MONCHIO	58,818	-	1,143	5,726	59,171	90,515	-	10,666	-	-	-	226,039	126,271	99,767
VEZZANO LIGURE-TERMO DI VEZZANO LIGURE V	1,440,119	-	-	-	-	13,110	-	36,687	-	-	-	1,489,916	1,044,941	444,976
NEVIANO ARDUINI	70,829	-	3,954	2,574	46,044	88,290	-	11,935	-	-	-	223,627	130,052	93,575
LA SPEZIA-VIA FONTEVIVO 19/F	509,607	-	-	-	-	-	-	-	-	-	-	509,607	194,044	315,563
NOCETO - FILIALE	808,965	-	14,143	10,558	76,036	108,038	-	28,103	-	-	-	1,045,842	601,332	444,509
ARCOLA-VIA DELLA REPUBBLICA	331,544	-	-	-	-	-	-	-	-	-	-	331,544	157,369	174,175
LERICI-SAN TERENZO DI LERICI	129,783	-	-	-	-	-	-	-	-	-	-	129,783	-	129,783
PALANZANO	74,940	-	974	8,767	46,594	122,582	-	13,092	-	-	-	266,949	157,212	109,738
LA SPEZIA-VIA CHIODO 36	1,417,796	-	-	-	-	-	-	-	-	-	-	1,417,796	278,682	1,139,114
LA SPEZIA - VIA GRAMSCI 71 MAGAZZINO	566,098	-	-	-	-	-	-	-	-	-	-	566,098	206,004	360,094
PELLEGRINO - FILIALE	247,342	-	15,431	2,998	49,259	182,482	-	19,224	-	-	-	516,736	257,761	258,975
CASTELNUOVO MAGRA- VIA DELLA PACE 1 FILI	512,001	-	-	-	-	-	-	-	-	-	-	512,001	164,683	347,319
PIEVEOTTOVILLE	44,007	-	342	-	45,249	73,623	-	8,525	-	-	-	171,744	101,375	70,369
LA SPEZIA CORSO CAVOUR 100 UFFICI PER	221,625	-	-	-	-	-	-	-	-	-	-	221,625	73,332	148,293
POLESINE	490,863	-	-	-	-	150,460	-	70,135	-	-	-	711,458	449,184	262,274
AULLA PIAZZA MAZZINI 9	857,274	-	-	-	-	-	114,140	273,656	-	-	-	1,245,070	778,735	466,335
PONTETARO	768,182	-	19,513	3,367	66,243	93,310	26,289	116,981	-	-	-	1,093,883	594,246	499,637
BAGNONE VIA DELLA REPUBBLICA 66 FILIALE	100,784	-	10,329	-	-	-	54,274	69,779	-	-	-	235,166	141,971	93,195
ROCCABIANCA	771,806	-	-	-	-	241,824	-	17,912	-	-	-	1,031,541	563,454	468,087
CARRARA-VIA ROMA ANG, VIA GROPPINI	112,884	-	-	-	-	-	64,806	385,522	-	-	-	563,212	375,781	187,431
SALA BAGANZA	87,452	-	46,459	6,907	72,054	323,203	-	59,315	-	-	-	595,390	238,939	356,450
CARRARA- VLE XX SETTEMBRE 248	1,833,839	-	-	-	-	-	905,346	222,095	-	-	-	2,961,280	2,478,926	482,355
SALSOMAGGIORE	1,627,794	-	60,047	41,818	338,509	424,119	-	16,718	-	-	-	2,509,005	1,428,588	1,080,417
S,MARIA DEL TARO	64,698	-	3,146	-	58,320	100,472	-	10,200	-	-	-	236,836	145,137	91,699
MASSA VIA CRISPI 24/26	642,258	-	17,556	-	-	-	105,023	557,251	-	-	-	1,322,088	843,276	478,811
S,SECONDO	440,117	-	145	-	105,674	392,743	-	71,430	-	-	-	1,010,108	498,948	511,160
PONTREMOLI VIA RICCI ARMANI 2	299,245	-	-	-	-	-	20,266	155,726	-	-	-	475,237	369,053	106,184

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S,ANDREA BAGNI	211,545	-	1,859	-	-	129,517	-	5,253	-	-	-	348,174	230,610	117,563
VILLAFRANCA IN LUNIGIANA- P,ZZA DELLA VI	77,949	-	-	-	-	-	-	-	-	-	-	77,949	37,386	40,563
SISSA	555,176	-	3,353	7,578	-	159,671	-	27,414	-	-	-	753,193	365,305	387,889
SOLIGNANO	55,268	-	4,209	5,424	51,082	97,942	-	9,218	-	-	-	223,143	124,698	98,445
SORAGNA	247,913	-	18,533	17,254	67,759	177,224	-	39,340	-	-	-	568,023	298,971	269,052
SORBOLO	1,384,554	-	-	-	-	651,020	-	62,444	-	-	-	2,098,017	1,399,049	698,968
SUZZARA	1,041,682	-	-	-	-	539,476	-	18,414	-	-	-	1,599,572	1,088,178	511,394
TABIANO TERME	68,799	-	757	19,119	85,501	132,004	-	16,618	-	-	-	322,800	209,469	113,331
TRAVERSETOLO	1,298,683	-	23,043	8,221	72,176	259,432	-	84,935	-	-	-	1,746,489	828,702	917,787
SARZANA - VIA GORI 7	183,389	-	-	-	-	1,528	-	-	-	-	-	184,917	132,225	52,692
LA SPEZIA - VIA SAN CIPRANO 33/35/37 sal	503,389	-	-	-	-	-	-	-	-	-	-	503,389	284,807	218,582
ZIBELLO	205,556	-	136	-	98,960	278,852	-	6,056	-	-	-	589,560	348,516	241,044
PARMA AG, 11	527,548	-	-	-	-	131,803	-	54,888	-	-	-	714,239	714,239	-
SPORTELLO AREA S,P,I,P,	935,911	-	-	-	-	14,843	-	9,560	-	-	-	960,314	490,968	469,347
AGENZIA DI CITTA' N, 5	4,155,727	-	-	-	-	2,518	-	-	-	-	-	4,158,245	2,354,791	1,803,454
LANGHIRANO AGENZIA 3	406,312	-	-	-	-	138	-	-	-	-	-	406,449	270,829	135,620
VIA MISTRALI 1/3 - PARMA	4,856,769	-	369,753	377,014	1,508,925	-	897,799	2,460,915	-	-	-	10,471,175	4,359,006	6,112,170
B,GO S, AMBROGIO 3/5/7 - PARMA	1,703,080	-	-	-	140,699	-	1,050,126	295,927	-	-	-	3,189,833	1,639,113	1,550,719
VIA EMILIO LEPIDO, 12/A - PARMA	1,149,678	-	-	-	179,927	-	498,958	177,237	-	-	-	2,005,800	1,232,716	773,084
PIAZZA DEL POPOLO, 22 - LANGHIRANO	57,180	-	34,618	15,494	162,684	-	255,039	217,764	-	-	-	742,779	408,665	334,114
PIAZZA MIODINI, 2 - FELINO	817,375	-	35,969	10,329	87,798	-	301,908	220,281	-	-	-	1,473,660	753,356	720,303
PIAZZA GRAMSCI, 24 - SALA BAGANZA	588,872	-	15,749	-	235,765	-	670,239	14,659	-	-	-	1,525,285	816,612	708,674
STRADA PER BUSSETO, 135 - FONTEVIVO	283,298	-	11,927	20,658	103,291	-	350,998	299,492	-	-	-	1,069,664	494,093	575,571
STRADA PROVINCIALE, 59 - FONTANELLE	84,888	-	9,533	2,582	45,448	-	151,905	63,487	-	-	-	357,844	204,281	153,563
VIA M, LIBERTA', 322 - MEZZANI	32,302	-	5,127	5,210	38,218	-	65,506	53,984	-	-	-	200,348	136,674	63,673
VIA LA SPEZIA, 8 - COLLECCHIO	808,700	-	-	-	73,636	-	59,469	641,640	-	-	-	1,583,444	901,521	681,923
LAGRIMONE	172,191	-	-	-	-	-	99,980	-	-	-	-	272,171	237,309	34,863
STRADA ASOLANA, 128 - S, POLO TORRI	835,692	-	-	-	-	-	-	11,996	-	-	-	847,688	413,489	434,198
VIA GRAMSCI, 13 - PARMA	556,871	-	-	-	-	-	436,369	70,280	-	-	-	1,063,521	619,466	444,054
VIA MACALLE' 11 - AGAZZANO	147,426	-	-	-	72,046	53,139	-	27,352	-	-	-	299,963	103,483	196,479
VIA EMILIA OVEST 18 - ALSENO	376,537	-	-	-	51,646	108,998	-	47,211	-	-	-	584,392	287,758	296,634
PIAZZA COLOMBO 11 - BETTOLA	101,937	-	-	-	61,975	134,658	-	27,484	-	-	-	326,054	190,344	135,711
PIAZZA S,FRANCESCO 11/A - BOBBIO	279,757	-	-	-	43,608	112,497	-	20,969	-	-	-	456,830	261,679	195,151

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VIA ROMA 23 - BORGONOVO VAL TIDONE	461,737	-	-	-	56,810	87,567	-	31,598	-	-	-	637,713	317,690	320,023
VIA EMILIA PARMENSE 146 - CADEO LOC	477,176	-	-	-	-	16,673	-	102,983	-	-	-	596,833	355,673	241,160
PIAZZA BERGAMASCHI 4 - CALENDASCO	289,091	-	-	-	-	36,431	-	41,650	-	-	-	367,172	150,071	217,101
VIA ROMA 8 - CAORSO	342,918	-	-	-	98,127	101,462	-	41,257	-	-	-	583,764	279,524	304,240
GALLERIA BRAGHIERI 1 - CASTEL S,GIO	691,745	-	-	-	171,844	413,391	-	88,751	-	-	-	1,365,731	742,081	623,650
VIA CAVOUR 1/A - CORTEMAGGIORE	314,934	-	-	-	77,469	87,409	-	35,055	-	-	-	514,866	228,036	286,830
VIA DEL CONSORZIO 7 - FERRIERE	175,773	-	-	-	-	4,523	-	53,147	-	-	-	233,443	171,422	62,022
CORSO GARIBALDI 120 - FIORENZUOLA D	625,670	-	-	-	135,487	183,413	-	114,352	-	-	-	1,058,921	447,121	611,801
VIA ROMA 63 - GRAGNANO TREBBIENSE	298,660	-	-	-	41,317	23,034	-	29,569	-	-	-	392,580	203,794	188,786
P,ZZA CASTELLANA 22 - LUGAGNANO VAL	756,011	-	-	-	65,107	28,660	-	26,297	-	-	-	876,076	381,796	494,281
VIA MARTIRI LIBERTA' 35 - MONTICELL	489,902	-	-	-	-	-	-	69,145	-	-	-	559,047	326,645	232,403
PIAZZA INZANI - MORFASSO	189,384	-	-	-	-	-	-	49,730	-	-	-	239,113	196,320	42,793
PIAZZA VITTORIA 25 - OTTONE	69,594	-	-	-	15,494	33,085	-	7,709	-	-	-	125,882	61,354	64,527
LARGO DAL VERME 3 - PIANELLO VAL TI	463,183	-	-	-	-	60,751	-	9,449	-	-	-	533,382	262,885	270,497
VIA MONTE GRAPPA 49 - PODENZANO	499,222	-	-	-	67,139	115,376	-	70,923	-	-	-	752,660	420,550	332,110
VIA VITTORIO VENETO 90 - PONTE DELL	504,405	-	-	-	-	172,170	-	99,830	-	-	-	776,405	414,922	361,483
PIAZZA TRE MARTIRI 11 - PONTENURE	726,695	-	-	-	-	-	-	68,083	-	-	-	794,779	489,154	305,625
VIA EMILIA EST 33 - ROTTOFRENO	47,391	-	-	-	56,810	61,128	-	24,581	-	-	-	189,910	117,023	72,887
VIA ANGUISSOLA 4 - TRAVO	255,953	-	-	-	-	1,640	-	38,548	-	-	-	296,141	163,746	132,395
VIA MORO 4 - VILLANOVA SULL'ARDA	394,324	-	-	-	-	57,044	-	71,327	-	-	-	522,695	232,847	289,847
VIA ZIANO 9 - VICOBARONE DI ZIANO P	48,378	-	-	-	15,494	14,084	-	8,451	-	-	-	86,408	56,262	30,146
VIA ROMA 175 - ZIANO PIACENTINO	85,449	-	-	-	20,658	45,381	-	8,838	-	-	-	160,327	81,709	78,617
VIA POGGIALI 18 - PIACENZA	4,518,315	-	-	769,851	1,567,362	5,788,954	-	1,952,811	-	-	-	14,597,294	5,626,019	8,971,275
VIA COLOMBO 101 - PIACENZA	1,265,827	-	-	-	-	195,554	-	196,597	-	-	-	1,657,979	888,684	769,295
VIALE DANTE ALIGHIERI 14 - PIACENZA	1,691,330	-	-	-	-	426,870	-	215,624	-	-	-	2,333,824	1,252,365	1,081,458
PIAZZA CAIROLI 3 - CODOGNO	1,317,259	-	-	-	-	171,309	-	217,624	-	-	-	1,706,192	1,136,891	569,302
CORSO MILANO 65 - VIGEVANO	260,099	-	-	7,230	-	163,008	-	17,382	-	-	-	447,720	241,233	206,486

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PIAZZA VOLTA 4 - VIGEVANO	352,174	-	-	15,494	-	270,714	-	11,718	-	-	-	650,100	274,508	375,591
PIAZZA DUCALE 43 - VIGEVANO	1,862,505	-	-	129,114	1,077,258	1,004,817	-	417,537	-	-	-	4,491,231	1,299,300	3,191,931
VIA LAVATELLI 32 - CASSOLNOVO	402,239	-	-	10,329	-	91,583	-	21,130	-	-	-	525,281	239,991	285,289
VIA COTTA 2 - GAMBOLO'	416,272	-	-	10,329	-	94,165	-	4,474	-	-	-	525,240	290,197	235,042
VIA XXV APRILE 17 - PARONA	145,005	-	-	-	-	75,689	-	12,941	-	-	-	233,635	111,409	122,226
PIAZZA CAMPEGI 2 - TROMELLO	466,710	-	-	-	-	78,092	-	17,078	-	-	-	561,879	231,792	330,087
VIALE CAMPARI 12 - PAVIA	665,128	-	-	-	-	22,047	-	32,726	-	-	-	719,900	439,236	280,664
VALENZA	417,525	-	-	55,996	250,688	-	-	90,441	853,142	-	-	1,667,791	836,283	831,508
VINOVO	511,557	-	-	-	-	-	-	20,734	148,416	-	-	680,707	385,629	295,079
VIA ARMORARI 4 - MILANO	10,576,235	-	1,313,331	-	7,266,549	-	-	19,847,235	7,308,423	-	-	46,311,772	12,645,736	33,666,037
VIA ARMORARI 8 - MILANO	5,079,225	-	-	-	-	-	-	7,164,345	5,498,307	-	-	17,741,877	4,825,728	12,916,149
VIA FARINI 82 - MILANO	2,745,189	-	-	-	-	-	-	932,758	278,224	-	-	3,956,170	3,107,582	848,588
P.ZZA FRATTINI 19 - MILANO	613,149	-	81,632	-	371,849	-	-	543,908	268,264	-	-	1,878,803	1,201,438	677,365
VIA MUSSI 4 - MILANO	568,916	-	92,969	-	291,282	-	-	439,674	275,121	-	-	1,667,962	1,058,061	609,901
VIA PISTRUCCI 25 - MILANO	706,384	-	41,673	-	127,048	-	-	258,173	351,453	-	-	1,484,732	847,299	637,433
VIA RIPAMONTI 177 - MILANO	581,284	-	103,421	-	335,697	-	-	381,513	161,503	-	-	1,563,418	1,028,274	535,144
P.ZZA VELASCA 4 - MILANO	590,720	-	191,991	-	192,122	-	-	433,140	889,114	-	-	2,297,086	1,470,868	826,218
CORSO MAZZINI 2 - CREMONA	2,072,775	25,087	350,772	-	2,076,157	-	-	1,870,791	803,837	-	-	7,199,419	3,240,450	3,958,968
VIA CAVOUR 40/42 - CASALMAGGIORE	278,021	2,359	22,273	-	-	-	-	36,030	292,244	-	-	630,927	330,591	300,336
P.ZZA MUNICIPIO 3-9-11 - CASTELVERD	59,476	-	5,526	-	-	-	-	17,998	94,559	-	-	177,558	106,876	70,682
VIA GIUSEPPINA 152 - CINGIA DE'BOTT	9,619	429	5,941	-	-	-	-	12,612	74,914	-	-	103,516	66,958	36,558
P.ZZA VITT.VENETO 4 - 6 - CORTE DE'	138,546	-	713	-	-	-	-	7,370	47,582	-	-	194,210	95,805	98,405
VIA MAZZINI 8 - GRUMELLO CREMONESE	156,931	59	2,644	-	-	-	-	9,162	66,174	-	-	234,970	98,932	136,038
VIA ROMA 8 - GUSSOLA	57,627	-	7,753	-	-	-	-	58,355	51,318	-	-	175,052	124,358	50,694
VIA ROMA 1 - PIEVE D'OLMI	16,523	-	12,488	-	-	-	-	21,534	48,712	-	-	99,258	66,553	32,705
LARGO DELLA VITTORIA 7 - PIZZIGHETT	469,794	-	-	-	178,694	-	-	99,878	20,092	-	-	768,458	451,120	317,338
VIA DELLA LIBERTA' 10-16 - RIVAROLO	394,579	-	1,600	-	-	-	-	90,021	14,886	-	-	501,086	379,260	121,826
VIA MARTIRI LIBERTA' 48-50 - ROBECC	138,623	948	8,786	-	-	-	-	15,957	81,443	-	-	245,757	94,565	151,192
VIA GIUSEPPINA 15-17 - S.GIOVANNI I	639,232	664	3,813	-	-	-	-	11,034	54,843	-	-	709,585	380,005	329,581
V.LE G.MATTEOTTI 6-8 - SESTO CREMON	245,616	508	3,370	-	-	-	-	12,890	76,972	-	-	339,357	107,351	232,006
VIA GARIBALDI 2 - VESCOVATO	76,855	48	12,183	-	-	-	-	17,887	100,177	-	-	207,149	96,302	110,847

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VIA MARSALA 18 - LODI	680,930	4,127	113,691	-	-	-	-	259,762	1,051,150	-	-	2,109,661	1,261,091	848,570
LARGO CASALI 31 - CASALPUSTERLENGO	904,504	-	-	-	211,740	-	-	409,979	266,529	-	-	1,792,751	1,228,963	563,788
VIA ROMA 5 - S,GIULIANO MILANESE	759,784	-	43,900	-	232,406	-	-	369,534	73,368	-	-	1,478,993	883,152	595,841
P,ZZA DEI CADUTI 10 - SANT'ANGELO L	913,952	1,411	13,012	-	-	-	-	66,702	8,769	-	-	1,003,845	439,852	563,994
VIA I, NIEVO 18/VIA OBERDAN - MANTO	4,765,118	-	-	-	-	-	-	1,560,197	321,766	-	-	6,647,081	5,551,750	1,095,331
P,ZZA XX SETTEMBRE 23 - ASOLA	340,960	1,501	19,641	-	-	-	-	66,395	227,909	-	-	656,407	278,856	377,551
VIA G, MATTEOTTI 18 - CASTELLUCCHIO	649,682	-	-	-	-	-	-	226,505	49,464	-	-	925,652	676,657	248,995
VIA XXV APRILE 1 - MARMIROLO	165,914	-	10,252	-	-	-	-	78,068	61,702	-	-	315,935	209,408	106,527
VIA PIAVE 18-20 - OSTIGLIA	119,895	-	-	-	-	-	-	54,938	77,867	-	-	252,701	150,341	102,360
VIA CUSTOZA 124 - ROVERBELLA	222,438	-	14,949	-	-	-	-	22,589	155,423	-	-	415,400	180,488	234,911
P,ZZA DEL LINO 4 - PAVIA	1,136,034	3,079	92,263	-	481,035	-	-	941,760	217,178	-	-	2,871,349	2,118,165	753,184
VIA VITT,VENETO 2 - BELGIOIOSO	178,132	1,151	11,204	-	-	-	-	21,180	229,336	-	-	441,002	231,378	209,624
VIA EMILIA 371 - BRONI	916,941	-	-	-	328,983	-	-	300,316	50,149	-	-	1,596,388	1,027,186	569,202
V,LE CERTOSA 78 - CERTOSA DI PAVIA	496,776	-	4,692	-	120,851	-	-	82,275	28,618	-	-	733,212	361,864	371,348
VIA CARDINAL MAFFI 2 - CORTEOLONA	47,714	-	9,608	-	-	-	-	20,950	74,440	-	-	152,711	97,696	55,015
VIA ROMA 24 - PIEVE PORTO MORONE	159,526	-	-	-	-	-	-	53,937	84,966	-	-	298,429	179,895	118,533
VIA G, MATTEOTTI 26/28 - CREMA	758,467	4,822	56,297	-	298,140	-	-	628,944	257,319	-	-	2,003,989	1,223,911	780,078
P,ZZA GARIBALDI 3 - ANNICCO	131,986	1,176	3,176	-	-	-	-	52,652	67,277	-	-	256,269	142,045	114,223
P,ZZA DELLA LIBERTA' 21 - CASALBUTT	78,557	506	31,536	-	-	-	-	57,722	100,940	-	-	269,261	171,223	98,037
P,ZZA DELLA LIBERTA' 6 - PADERNO PO	70,137	-	4,106	-	-	-	-	14,653	84,481	-	-	173,377	98,217	75,160
VIA MILANO 20-22 - PANDINO	466,329	1,731	27,915	-	-	-	-	66,462	159,407	-	-	721,844	260,005	461,838
VIA G, VEZZOLI 2 - ROMANENGO	760,174	795	12,932	-	-	-	-	21,601	110,278	-	-	905,780	376,001	529,779
VIA F, GENALA 17 - SORESINA	481,545	830	35,251	-	-	-	-	97,091	382,504	-	-	997,222	492,992	504,230
VIA ROMA 73 - TRIGOLO	87,458	129	8,539	-	-	-	-	14,433	61,857	-	-	172,415	84,767	87,648
IFIC- ASILO NIDO AZIENDALE-C/ OCAVAGNARI	2,338,210	-	-	-	-	271,083	-	48,005	-	-	-	2,657,299	580,224	2,077,074
SAN MINIATO - Via IV Nov,, 45	5,288,727	-	-	-	-	-	-	-	-	-	2,349,773	7,638,500	4,483,091	3,155,410
SAN MINIATO - Via C, Batt,,45	302,318	-	-	-	-	-	-	-	-	14,129	-	316,447	49,762	266,684
CASTELFRANCO DI SOTTO - Via Petrar	22,817	-	-	-	-	-	-	-	-	1,984	-	24,801	3,434	21,368
PISA - Via G, Mazzini, 3	379,040	-	-	-	-	-	-	-	-	32,960	-	412,000	57,039	354,961

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SANTA CROCE SULL'ARNO - Via Mainar	132,957	-	-	-	-	-	-	-	-	8,400	-	141,357	18,838	122,519
SAN MINIATO Piazza Bon	1,697,150	-	-	-	-	-	-	-	-	180,242	-	1,877,392	192,869	1,684,523
SAN MINIATO - Piazza del Pop,2	14,046	-	-	-	-	-	-	-	-	2,014	-	16,060	4,050	12,010
CAPANNOLI - Via Volterrana,149	3,887	-	-	-	-	-	-	-	-	2,118	-	6,006	455	5,551
FUCECCHIO - Viale B,Buozzi,130	596,393	-	-	-	-	-	-	-	-	373,900	-	970,293	195,277	775,016
LIVORNO - Piazza Dante, 8	259,633	-	-	-	-	-	-	-	-	2,006	-	261,639	82,793	178,846
SAN MINIATO - fraz, La Scala -Piazzale T	56,425	-	-	-	-	-	-	-	-	3,912	-	60,337	15,029	45,307
CAPANNOLI - Via Volterrana, 14	273,070	-	-	-	-	-	-	-	-	9,200	-	282,270	65,532	216,739
CASTELFRANCO DI SOTTO Via Calata	992,166	-	-	-	-	-	-	-	-	6,973	-	999,139	219,663	779,476
EMPOLI - fraz, Ponte a Elsa Via Senese	676,171	-	-	-	-	-	-	-	-	7,800	-	683,970	120,934	563,036
MONTOPOLI VALDARNO Via San Gi	234,828	-	-	-	-	-	-	-	-	3,959	-	238,786	56,913	181,874
MONTOPOLI VALDARNO San Romano	495,994	-	-	-	-	-	-	-	-	11,690	-	507,684	117,623	390,062
POGGIBONSI - Viale Marconi, 55	1,120,752	-	-	-	-	-	-	-	-	16,527	-	1,137,280	256,235	881,044
PONTEDERA - Via 1° Maggio, 17	786,313	-	-	-	-	-	-	-	-	47,170	-	833,483	209,015	624,468
PONTEDERA - fraz, La Rotta Piazza G,	168,581	-	-	-	-	-	-	-	-	6,677	-	175,258	41,444	133,814
SANTA CROCE SULL'ARNO fraz, Staf	421,947	-	-	-	-	-	-	-	-	4,913	-	426,860	96,685	330,175
VINCI - Via R, Fucini, 31	470,184	-	-	-	-	-	-	-	-	6,758	-	476,942	111,581	365,361
MONTELUPO FIORENTINO Via 1° Mag	543,877	-	-	-	-	-	-	-	-	16,061	-	559,938	110,880	449,059
EMPOLI - Via Cavour, 37	1,693,231	-	-	-	-	-	-	-	-	87,894	-	1,781,125	420,320	1,360,805
SAN MINIATO - Via IV Novembre angolo Via	4,262,328	-	-	-	-	-	-	-	-	450,703	-	4,713,031	1,142,554	3,570,477
SAN MINIATO - fraz, San MiniatViale G, M	849,106	-	-	-	-	-	-	-	-	3,741	-	852,847	201,210	651,637
SAN MINIATO - fraz, Ponte a EgVia C, Pis	788,491	-	-	-	-	-	-	-	-	48,006	-	836,497	144,616	691,881
SANTA CROCE SULL'ARNO Piazza del	2,023,713	-	-	-	-	-	-	-	-	109,129	-	2,132,842	440,248	1,692,595
PONSACCO Piazza del	957,172	-	-	-	-	-	-	-	-	32,658	-	989,830	222,808	767,022
CASTELFIORENTINO Piazza Ken	478,919	-	-	-	-	-	-	-	-	14,609	-	493,528	122,342	371,186
CERRETO GUIDI Via dei Fo	303,737	-	-	-	-	-	-	-	-	4,601	-	308,338	75,315	233,024
VINCI - fraz, Spicchio/ SovigliVia Toglia	1,086,671	-	-	-	-	-	-	-	-	33,544	-	1,120,215	273,287	846,927
PISA - Lungarno Gambacorti, 21	1,387,968	-	-	-	-	-	-	-	-	55,531	-	1,443,498	326,278	1,117,221
PALAIA - Via A, di Mino, 7	212,581	-	-	-	-	-	-	-	-	29,687	-	242,268	57,290	184,978

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SANTA MARIA A MONTE ia delle G	626,512	-	-	-	-	-	-	-	-	15,529	-	642,041	115,017	527,024
FIRENZE - Via de' Rondinelli,4	6,888,647	-	-	-	-	-	-	-	-	1,738,055	-	8,626,702	2,059,485	6,567,217
SAN MINIATO - Piazza Grifoni,	446,640	-	-	-	-	-	-	-	-	157,423	-	604,063	95,056	509,007
CAPANNOLI - Via Volterrana,149	11,968	-	-	-	-	-	-	-	-	602	-	12,570	2,012	10,558
CERRETO GUIDI - fraz, Stabbia Via Bercil	413,634	-	-	-	-	-	-	-	-	2,413	-	416,047	93,543	322,504
SANTA CROCE SULL'ARNO Via Provin	519,050	-	-	-	-	-	-	-	-	7,336	-	526,386	118,237	408,149
SAN MINIATO - Via IV Nov,,46	84,756	-	-	-	-	-	-	-	-	95,244	-	180,000	14,123	165,877
SAN MINIATO - Piazza del Pop,1	90,997	-	-	-	-	-	-	-	-	72,103	-	163,100	12,261	150,839
SAN MINIATO - Piazza XX Set,21	115,000	-	-	-	-	-	-	-	-	10,000	-	125,000	8,333	116,667
SAN MINIATO - Via Roma, 5	187,889	-	-	-	-	-	-	-	-	76,111	-	264,000	18,750	245,250
SAN MINIATO Via della	14,401	-	-	-	-	-	-	-	-	25,599	-	40,000	2,946	37,054
SAN MINIATO - fraz, San MiniatViale G, M	7,233	-	-	-	-	-	-	-	-	57,597	-	64,830	2,506	62,324
SAN MINIATO - fraz, La Scala Piazzale T	59,754	-	-	-	-	-	-	-	-	25,413	-	85,167	5,916	79,250
PONSACCO - Via N, Sauro, 2 angolo Via	499,784	-	-	-	-	-	-	-	-	81,113	-	580,897	45,064	535,834
SAN MINIATO - Via Fontevivo (Palazzett	908,368	-	-	-	-	-	-	-	-	36,572	-	944,940	50,412	894,529
SAN MINIATO - Piazza Bonaparte15	195,010	-	-	-	-	-	-	-	-	74,990	-	270,000	14,591	255,409
BELLARIA IGEA MARINA - VIALE P	1,586,986	-	-	-	-	-	-	-	-	-	-	1,586,986	321,132	1,265,854
BELLARIA IGEA MARINA - VIA MAR	1,936,811	-	-	-	-	-	-	-	-	-	-	1,936,811	250,679	1,686,132
BOLOGNA - VIA DE NICOLA 1 (FIL	492,214	-	-	-	-	-	-	-	-	-	-	492,214	75,379	416,835
BOLOGNA - VIA AMENDOLA 11 - FO	701,625	-	-	-	-	-	-	-	-	-	-	701,625	200,765	500,860
CASTENASO (BO) - PIAZZA MARIA	524,167	-	-	-	-	-	-	-	-	-	-	524,167	85,201	438,966
CATTOLICA - VIA BOVIO 45 - FO	4,599,960	-	-	-	-	-	-	-	-	-	-	4,599,960	768,060	3,831,900
CORIANO - VIA STATALE SAN MARI	2,387,592	-	-	-	-	-	-	-	-	-	-	2,387,592	521,022	1,866,569
CESENA - VIALE OBERDAN N,642 -	592,107	-	-	-	-	-	-	-	-	-	-	592,107	101,883	490,224
CORIANO - PIAZZA DON MINZONI 1	672,587	-	-	-	-	-	-	-	-	-	-	672,587	107,343	565,243
FALCONARA MARITTIMA - VIA FLAM	328,583	-	-	-	-	-	-	-	-	-	-	328,583	81,045	247,537
GRADARA - VIA BOLOGNA N,1/A -	209,631	-	-	-	-	-	-	-	-	-	-	209,631	55,866	153,765
RIMINI - VIA CORIANO 58 - FOGL	828,177	-	-	-	-	-	-	-	-	-	-	828,177	181,670	646,507
MELDOLA - VIA SILVIO PELLICO 2	119,951	-	-	-	-	-	-	-	-	-	-	119,951	26,169	93,783
MISANO ADRIATICO - VIA DELLA R	1,702,265	-	-	-	-	-	-	-	-	-	-	1,702,265	247,136	1,455,128

Description	Book value net of revaluations	Law no. 74 11 Feb. 1962	Law no. 823 of 19 Feb. 1973	Law no. 576 of 2 Feb. 1975	Law no. 72 of 19 March 1983	Law no. 218 of 30 July 1990	Law no. 408 of 29 Dec. 1990	Law no. 413 of 30 Dec, 1991	Merger '94	Law 185/08	Deemed cost	Total cost	Accumulated depreciation as at 31 Dec. 2019	Net book value as at 31 Dec. 2019
MISANO ADRIATICO - VIALE SICIL	307,200	-	-	-	-	-	-	-	-	-	-	307,200	65,527	241,673
MONTESCUDO - VIA BORGO PANDOLF	381,256	-	-	-	-	-	-	-	-	-	-	381,256	78,636	302,620
MORCIANO DI ROMAGNA - VIA BUCC	1,138,940	-	-	-	-	-	-	-	-	-	-	1,138,940	137,753	1,001,187
OSIMO - VIA MARCO POLO 196/198	302,944	-	-	-	-	-	-	-	-	-	-	302,944	50,364	252,580
RICCIONE - VIALE EMPOLI - FOG	814,398	-	-	-	-	-	-	-	-	-	-	814,398	110,711	703,687
RICCIONE - VIA GIULIO CESARE 1	760,989	-	-	-	-	-	-	-	-	-	-	760,989	141,247	619,742
RICCIONE - VIA DANTE 249 - FOG	5,157,119	-	-	-	-	-	-	-	-	-	-	5,157,119	536,006	4,621,114
RICCIONE - VIALE DANTE ALIGHIE	11,848,580	-	-	-	-	-	-	-	-	-	-	11,848,580	1,233,115	10,615,465
RICCIONE - VIA FRATELLI CERVI	4,222,417	-	-	-	-	-	-	-	-	-	-	4,222,417	514,551	3,707,866
RIMINI - VIA APONIA 1/VIA DANT	9,012,312	-	-	-	-	-	-	-	-	-	-	9,012,312	1,595,632	7,416,679
RIMINI - PIAZZA MARVELLI 8/V,L	6,746,574	-	-	-	-	-	-	-	-	-	-	6,746,574	728,699	6,017,874
RIMINI - VIA PRINC,DI PIEMONTE	4,197,284	-	-	-	-	-	-	-	-	-	-	4,197,284	612,684	3,584,600
RIMINI - CORSO D'AUGUSTO 62 -	7,028,522	-	-	-	-	-	-	-	-	-	-	7,028,522	560,560	6,467,962
RIMINI - VIA COLETTI 49 - FOGL	1,034,626	-	-	-	-	-	-	-	-	-	-	1,034,626	225,750	808,876
RIMINI - PIAZZA FERRARI 15 - F	24,638,972	-	-	-	-	-	-	-	-	-	-	24,638,972	2,024,899	22,614,073
RIMINI - VIA FLAMINIA CONCA 6	2,069,114	-	-	-	-	-	-	-	-	-	-	2,069,114	440,945	1,628,169
RIMINI - VIALE REGINA ELENA 12	364,446	-	-	-	-	-	-	-	-	-	-	364,446	87,350	277,096
RIMINI - VIALE DATI 168 - FOGL	2,734,726	-	-	-	-	-	-	-	-	-	-	2,734,726	498,115	2,236,612
RIMINI - VIA MARECCHIESE 32 -	2,038,251	-	-	-	-	-	-	-	-	-	-	2,038,251	270,188	1,768,063
ROMA PRATI FISCALI - VIA DI VA	483,281	-	-	-	-	-	-	-	-	-	-	483,281	117,746	365,535
SAN COSTANZO - VIA SALVO D'ACQ	542,428	-	-	-	-	-	-	-	-	-	-	542,428	197,740	344,688
SAN GIOVANNI IN MARIGNANO - PI	1,820,688	-	-	-	-	-	-	-	-	-	-	1,820,688	342,368	1,478,320
SANTARCANGELO DI ROMAGNA - PIA	4,857,289	-	-	-	-	-	-	-	-	-	-	4,857,289	554,980	4,302,309
VERUCCHIO - PIAZZA MALATESTA 1	995,911	-	-	-	-	-	-	-	-	-	-	995,911	174,919	820,992
VERUCCHIO (FRAZ, VILLA) - PIAZ	1,845,965	-	-	-	-	-	-	-	-	-	-	1,845,965	294,966	1,550,999
VERUCCHIO - LOC, VILLA SS MAR	4,380,527	-	-	-	-	-	-	-	-	-	-	4,380,527	1,095,617	3,284,910
Grand Total assets revalued	**445,537,856**	**51,362**	**4,842,608**	**2,305,033**	**28,765,413**	**73,822,536**	**6,481,576**	**63,737,137**	**22,062,416**	**4,105,597**	**2,349,773**	**654,061,307**	**255,331,520**	**398,729,787**

Description	Carrying value net of revaluations	L.11.2.62 N.74	L.19.2.73 n.823	L.2.12.75 n.576	L.19.3.83 n.72	L.30.7.90 n.218	L.29.12.90 n.408	L.30.12.91 n.413	Merger '94	L.185 08	Deemed cost	Total cost	Accumulated depreciation as at 31.12.2019	Net Book Value as at 31.12.2019
FURNITURE AND FITTINGS	40,581	-	3,225	18,450	-	-	-	-	-	-	-	62,256	62,256	-
EQUIPMENT	136,294	-	1,584	10,554	-	-	-	-	-	-	-	148,432	148,432	-
Grand total revalued assets	176,875	-	4,809	29,005	-	-	-	-	-	-	-	210,688	210,688	-

EQUITY INVESTMENTS: ASSETS MEASURED AT FAIR VALUE THROUGH EQUITY (OCI) AND ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	Book value net of revaluations	Law no 218 of 30 July 1990	Impairment	Measurement OCINR/ FVOBL	Total cost	Net book value as at 31 Dec. 2019
CR.AGRIC. FRIULADRIA	1,023,719,652	-	-108,158,006		915,561,646	915,561,646
FIERE DI PARMA	20,483,198	-416,050	-		20,067,148	20,483,198
CA GROUP SOLUTIONS	35,640,000	-	-		35,640,000	35,640,000
NUOVA MADONNINA ORD	1	-	-		1	1
MONDOMUTUI CARIPARMA	2,280	-	-		2,280	2,280
CALIT SRL	146,300,000	-	-47,133,000		99,167,000	99,167,000
SLIDERS SRL	1,320,001	-	-1,320,000		1	1
CARIPARMA OBG SRL	6,000	-	-		6,000	6,000
SOC.AGRIC.LE CICOGNE	2,221,209	-	-		2,221,209	2,221,209
LE VILLAGE BY CA MIL	155,656	-	-		155,656	155,656
SAN GIORGIO IMMOBILI	31,237	-	-		31,237	31,237
SAN PIERO IMMOBILIAR	69,646	-	-		69,646	69,646
LE VILLAGE BY CA PR	800,000	-	-		800,000	800,000
CAREI	300,000	-	-		300,000	300,000
VISA USD	1	-	-		1	1
SAIRGROUP CHF	1	-	-		1	1
KAUP THING EHF ORD	1	-	-		1	1
FIDI TOSCANA	1,793,806	-		-	1,793,806	1,793,806
CEPIM	1,604,557	-44,831		-	1,559,725	1,604,557
SAPIR	134,135	23,381		-	157,516	134,135
SOGEAP	58,131	-38,911		-	19,220	58,131
CA RISP VOLTERRA	3,822,228	-		-	3,822,228	3,822,228
CENTRO AGRO-ALIM RIM	407,784	-		-	407,784	407,784
MTS SPA N	46,948	-		-	46,948	46,948
RIMINI TERME SPA	18,076	-		-	18,076	18,076
EUTELIA	1	-		-	1	1
TERRE DELL'ETRURIA	2,411	-		-	2,411	2,411
S.I.C.I. SGR AOR 06	481,281	-		-	481,281	481,281
EDISON ORD	13,504	-		-	13,504	13,504
ITALIAN EXHIBITION G	239,576	-		-	239,576	239,576
RETE FIDI LIGURIA	51,620	-		-	51,620	51,620
COOPERARE	1,289,287	-		-	1,289,287	1,289,287
CENTROFIDI TERZIARIO	1,247,650	-		-	1,247,650	1,247,650
PIACENZA EXPO	978,985	94,063		-	1,073,048	978,985
FAVENTIA SALES AOR	888,973	-		-	888,973	888,973
SPEDIA	282,579	-		-	282,579	282,579
ISI	4,563	-		-	4,563	4,563
ROMAGNA ENERGIA AOR	41	-		-	41	41
LUGO IMMOBILIARE AOR	1	-		-	1	1
UNIPOLSAI ORD RA	16,887,178	-		-	16,887,178	16,887,178
COSTA EDUTAINMENT	1	-		-	1	1
BANCA D'ITALIA	202,000,000	-		-	202,000,000	202,000,000

EQUITY INVESTMENTS: ASSETS MEASURED AT FAIR VALUE THROUGH EQUITY (OCI) AND ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	Book value net of revaluations	Law no 218 of 30 July 1990	Impairment	Measurement OCINR/ FVOBL	Total cost	Net book value as at 31 Dec. 2019
SIR AOR	109,607	-		-	109,607	109,607
IRPLAST/SFP SVN	1	-		-	1	1
BANCOMAT-AZ ORD	87,892	-		-	87,892	87,892
SWIFT	275,235	678		-	275,913	275,235
CARRIER 1 INTL GER	1	-		-	1	1
CA INDOSUEZ FIDUCIAR	400,000	-		-	400,000	400,000
TARGETTI POULS SFPA	184,625	-		-	184,625	184,625
TARGETTI POULS SFPB	17,601	-		-	17,601	17,601
SCHEMA VOLONTARIO	5,357,024	-		-	5,357,024	5,357,024
RAETIA SGR SPA	1	-		-	1	1
TERREMERSE SCRL	269	-		-	269	269
LUGO NEXT LAB SRL	1,001	-		-1,000	1,001	1
ESCO CRE SRL QUOTE	2,841	-		-2,840	2,841	1
CONS AGR INTERPROV	196,232	-		-	196,232	196,232
COMP DEL SACRO CUORE	8,024	-		-	8,024	8,024
FOND FURIO FARABEGOL	20,001	-		-20,000	20,001	1
MIC FOND MUSEO INTER	1	-		-	1	1
COSTA 14 SRL AOR	1	-		-	1	1
GRUPPO AZ. LOC. VALL	5,000	-		-	5,000	5,000
QUOTE NEW PALARICCIO	47,740	-		-	47,740	47,740
CONSORZIO CBI SCPA	17,175	-		-	17,175	17,175
TELDAFAX AG EURO	1	-		-	1	1
GLITNIR CONCORDATO	16,743	-		-16,742	16,743	1
IMMOB.OASI NEL PARCO	3,095,568	-		-	3,095,568	3,095,568
AFFITTO FIRENZE SRL	1	-		-	1	1
CARICESE SRL	297,036	-		-	297,036	297,036
CONSORZIO CENTO PERC	1	-		-	1	1
NOVASIM SPA IN LIQ.	1	-		-	1	1
SUTOR MANTELLASSI HO	1	-		-	1	1
FRAER LEASING	5,223,539	-		-12,225	5,223,539	5,211,314
C.A.P. PIACENZA	1	427		-	428	1
CAL CENTRO AGRO-ALIM	1	-9,296		-	- 9,295	1
TERMOMECCANICA	4,256,068	-		-141,583	4,256,068	4,114,485
BCA POP PUGLIA B ORD	273,643	-		-	273,643	273,643
SOPRIP	1	1,033		-	1,034	1
CAP PAVIA	1	-		-	1	1
GAL LA SPEZIA	1	-		-	1	1
SFP FERROLI SPA	1	-		-	1	1
CONSORZIO AGR.PARMA	1	487,535		-	487,536	1
GLITNIR CONCORDATO	1	-		-	1	1
MOONLIGHT CINEMA E T	1	-		-	1	1
Total	**1,483,195,084**	**98,029**	**-156,611,006**	**-194,390**	**1,326,682,108**	**1,326,389,688**

CONSOLIDATED NON-FINANCIAL STATEMENT 2019

CRÉDIT AGRICOLE

CONSOLIDATED NON-FINANCIAL STATEMENT 2019

Table of Contents

METHODOLOGICAL
NOTE

Methodological note and reading guide

For the third year in a row, the Crédit Agricole Italia Banking Group reports its non-financial activities in its Non-Financial Statement (NFS), which is a stand-alone document separated from the Management Report, but an integral part of the 2019 Annual Report and Financial Statements. The 2019 NFS reports information on the activities of the Group's companies relating to environmental matters, social and employee-related matters, respect for human rights, anti-corruption and anti-bribery matters laid down in Italian Legislative Decree no. 254 of 30 December 2016 (hereinafter "D.Lgs 254/2016" or "Decree"), as relevant in accordance with the features of the Group's entities, for full disclosure and reporting on them and on the resulting impacts(*).

Although the Crédit Agricole Italia Banking Group is exempt from the obligation of preparing its Consolidated Non-Financial Statement (CNFS) in accordance with Article 6 of D.Lgs 254/2016, because its non-financial information. as defined in the Decree, is already collected and consolidated by its French Parent Company Crédit Agricole S.A. in its Non-Financial Statement, it has decided to voluntarily prepare this document in compliance with D.Lgs 254/2016, as it did in the previous reporting periods.

The topics described in the document have been identified through the update of the materiality analysis, which assesses the materiality of each aspect combining the Company's internal perspective to the external one. The topics that were found material have then been connected to the contents of D.Lgs 254/2016 and each one has been reported along with the risks, policies and commitments undertaken by the Group and with the management performance achieved in the reporting year.

Aspects referred to in D.Lgs 254/2016	Specific application to the Banking Group consistently with the material topics	Minimum content requirements pursuant to D.Lgs 254/2016
Social aspects	Value creation and capital strength	Not specified by D.Lgs 254/2016
	Innovation in the banking model and in the relationship with Customers	
	Responsible lending	
	Proximity to customers and communities	
	Development of entrepreneurial fabric and agri-food sector	
Fight against active and passive corruption	Integrity in governance processes and in business management	Fight against active and passive corruption. setting forth the tools used for this purpose
Respect for Human Rights	This topic is not directly material for the Crédit Agricole Italia Banking Group but it has been dealt with as regards lending to the defence sector	Measures implemented to prevent any violation of human rights, as well as the actions undertaken to prevent any discriminatory attitudes and conducts
Human Resources management	Internal dialogue, welfare and equal opportunities	Social aspects regarding HR management, actions implemented to ensure gender equality
	Work relationships and development of human resources	Social aspects and aspects regarding HR management, measures aimed at implementing International conventions and social dialogue approaches
Environmental aspects	Combating climate change and protecting the environment	The use of energy resources distinguishing between those from renewable and non-renewable sources, and the use of water resources; emissions of greenhouse gases and polluting emissions in the atmosphere; the impact on the environment and on health and safety, where possible based on realistic assumptions or scenarios, also medium-term ones, or other environmental and health risk material factors

(*) See Article 3, paragraph 1

In order to ensure accurate, transparent and comparable information. performances are reported in accordance with the Global Reporting Initiative Standards (GRI Standards)(*), international framework and the data are published on a three-year basis, in order to outline their historical trend.

In order for ensure reporting that is consistent with the Bank's operations, alongside the GRI Standards the Group has followed also the "G4-Financial Services Sector Disclosures" GRI guidelines, i.e. the industry-specific supplement that gives indicators monitoring specific information of financial operations. The adopted reporting approach was once again "In accordance Core", as in the previous year. The list of the indicators used for non-financial reporting is published in the "Appendix" to this Statement. The scope of consolidation of the NFS reporting is the same one for the Consolidated Financial Statements(**), given on page 119 of the Note to the Consolidated Financial Statements. The information and data published in this document are the result of annual collection and consolidation performed by the relevant structures of the Bank, using data extracted from the Group's information systems, invoicing and internal and external reporting, which are coordinated and arranged in their final structure by the Internal Communication and Corporate Social Responsibility (CSR) Division. The document also contains references(***) to the Management Report, the Report on corporate governance and ownership structure and to the Company's website (www. credit-agricole.it).

This document was subject to limited review by EY S.p.A.. The results of the review made pursuant to Article 3 paragraph 10 of D.Lgs 254/2016 and to CONSOB Regulation no. 20267 are set forth in the report of the Audit Firm, which is given at the end of this document. As represented in the "Independent Auditors' Report", contained herein. the review has been performed in accordance with the procedures for "limited assurance engagement" in compliance with ISAE 3000 Revised.

The Board of Directors of the Parent Company approved the Consolidated Non-Financial Statement on 06/04/2020. The NFS is published every year and can be read in its latest available version in the "Corporate Social Responsibility" section of the Group's website.

(*) See Article. 3, paragraph 5. The GRI Standards are the most widely used global standards for sustainability reporting.
(**) See Article 4, paragraph 1
(***) See Article 5, paragraph 4

THE CRÉDIT AGRICOLE ITALIA **BANKING GROUP**

The Crédit Agricole Group

1°
FIRST

WORLD COOPERATIVE COMPANY	ASSET MANAGER IN EUROPE	BANCASSURER IN FRANCE

Key figures of 2019

51 MILLION CUSTOMERS	**47** COUNTRIES	**142,000** STAFF MEMBERS
7.2 BLN € UNDERLYING NET INCOME	**115 BLN €** EQUITY - GROUP SHARE	**15.9%*** CET1 RATIO

Rating

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

* Following the Recommendation of the European Central Bank of 27 March 2020 on dividend distributions during the COVID-19 pandemic, Crdit Agricole S.A. decided to suspend the planned dividend distribution and to propose to the General Meeting of Shareholders of 13 May 2020 that the full profit for 2019 be allocated to an equity reserve; this will determine an increase in the CET1 ratio of approximately 20 bps.

The Crédit Agricole Group in Italy

1°
FIRST

PLAYER IN THE ITALIAN CONSUMER FINANCE MARKET*

3°
THIRD

ASSET MANAGER IN ITALY**

Key figures of 2019

4.5 MILLION
CUSTOMERS

14,000
STAFF MEMBERS

846 BLN €***
NET INCOME - GROUP SHARE

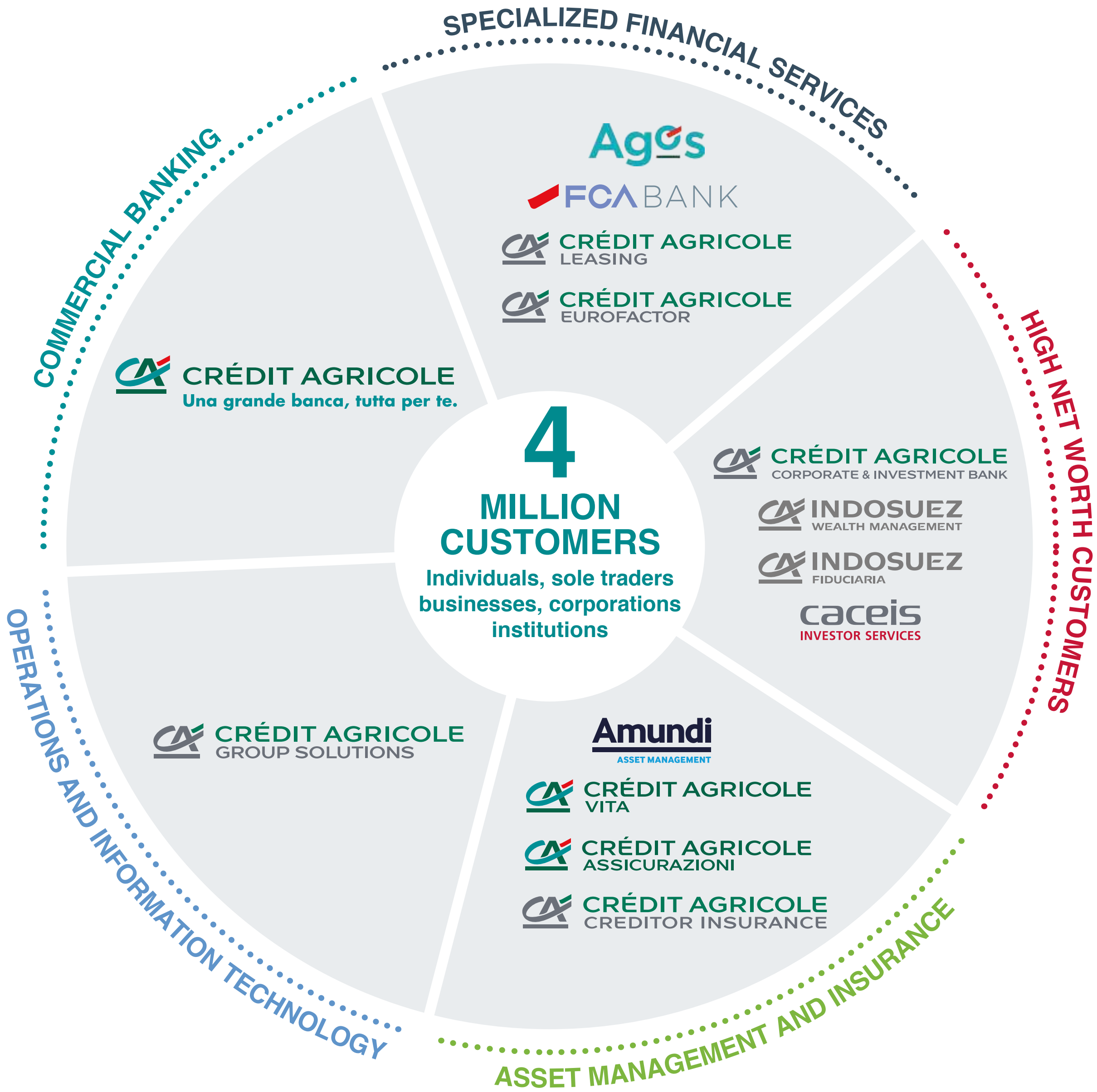
3.5 BLN €
NET OPERATING REVENUES

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

76 BLN €
LOANS TO CUSTOMERS

* Source: Agos and FCA Bank,
** Source: Assogestioni, "Mappa trimestrale del Risparmio Gestito", 4Q 2019. Data gross of duplications.
*** Of which 645 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.

2 MILLION
CUSTOMERS

10,000
STAFF MEMBERS

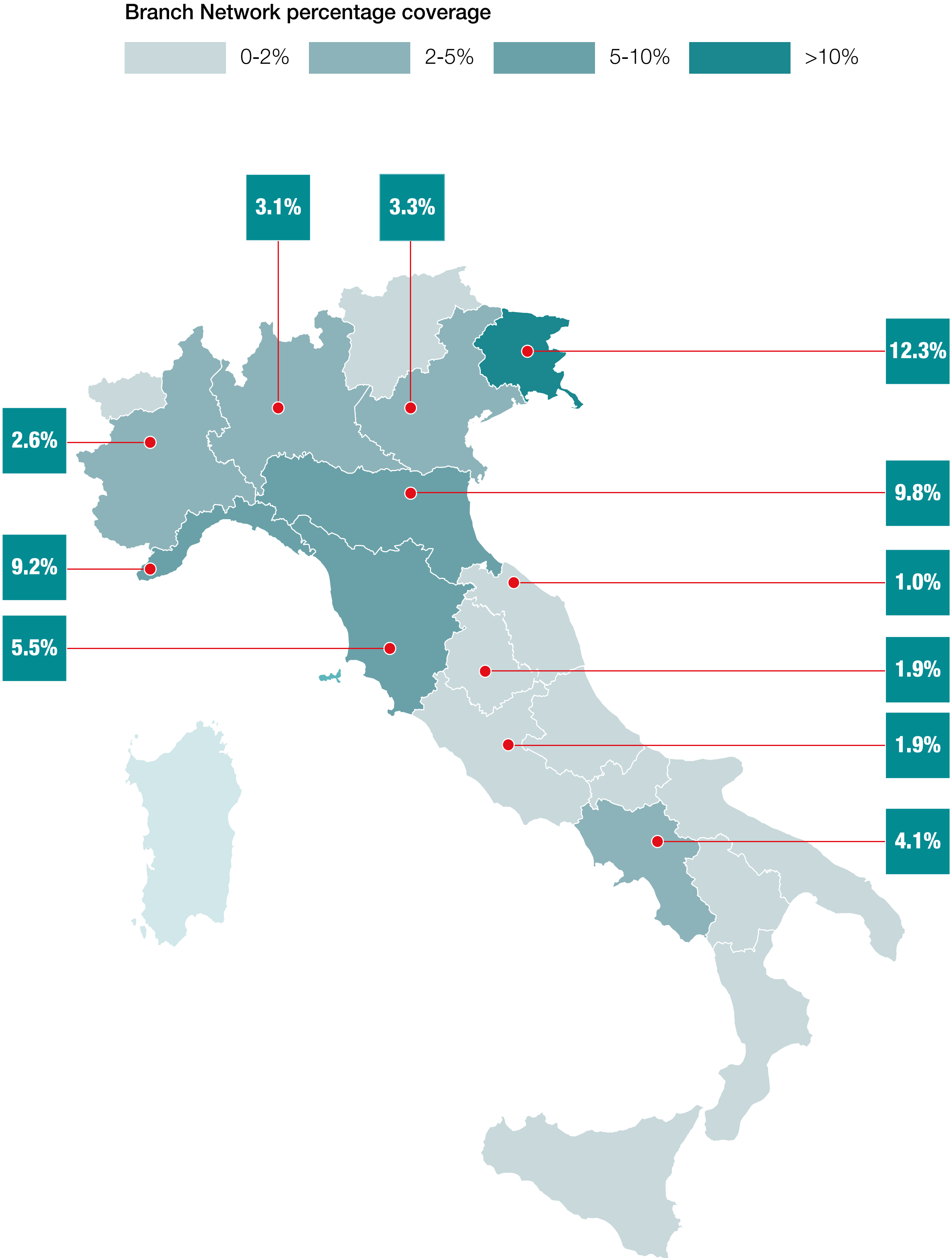
314 MLN €
NET INCOME - GROUP SHARE

2 BLN €
NET OPERATING REVENUES

OVER
1,000
POINTS OF SALE

OVER
46 BLN €
TOTAL LOANS

Branch Network percentage coverage by Region



System figure - source: Bank of Italy, 31 December 2019
Group figure as at 31 December 2019

CRÉDIT AGRICOLE

Parent Company of the Crédit Agricole Italia Banking Group, it is strongly rooted in the communities it operates in and originated from local banks. In July 2019, Crédit Agricole Carispezia was merged into Crédit Agricole Italia, **extending its branch network to the main production centers**.

846
POINTS OF SALE

39.3 BLN €
WORTH
OF LOANS

106.7 BLN €
WORTH
OF TOTAL FUNDING

CRÉDIT AGRICOLE FRIULADRIA

In 2007, Crédit Agricole FriulAdria became part of the Group, with the objective of expanding its operations to cover the entire Triveneto Region. It has **16,000 mutual shareholders**, who give evidence of its strong bond with the local fabric; today it is a reference point for households and businesses in Northeast Italy and is implementing an important **project to expand operations to the Veneto Region**.

197
POINTS OF SALE

7.7 BLN €
WORTH
OF LOANS

16.1 BLN €
WORTH
OF TOTAL FUNDING

CRÉDIT AGRICOLE LEASING

The Crédit Agricole Italia Banking Group's leasing entity. Crédit Agricole Leasing Italia operates in the equipment, vehicle, real estate, seacraft and aircraft and renewable energy financial leasing segments. **At the end of 2019, the loan portfolio amounted to approximately Euro 2Bln**.

CRÉDIT AGRICOLE GROUP SOLUTIONS

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

Covid-19 emergency, our commitment

On 30 January 2020, the World Health Organization (WHO) declared the outbreak of **COVID-19**, commonly called Coronavirus, a Public Health Emergency of International Concern and its spreading is causing the slow or interruption if the economic and business activities in many sectors.

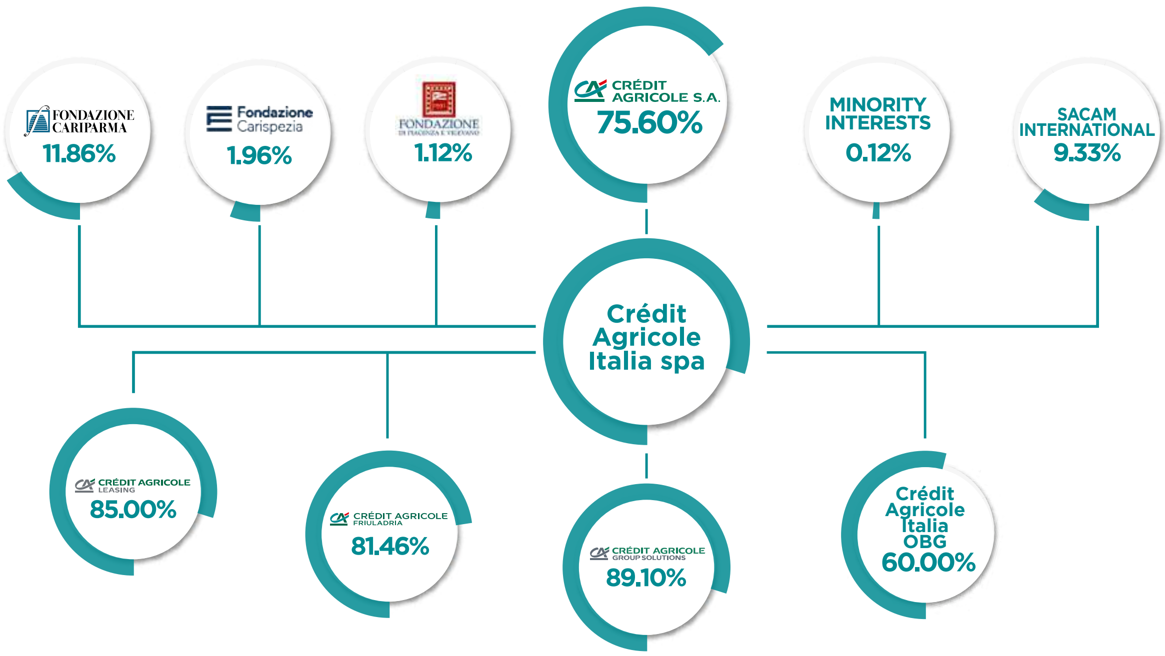
Following the pandemic outbreak, the Crédit Agricole Italia Banking Group has **put its Customer centrality and closeness commitment into practice** through continuity of all key services for all customer segments and on all channels, thanks to service innovation. digital tools and technologies available with which it can ensure proactive management of relationships, while fully securing everyone's safety. To ensure **business continuity**, a remote advisory approach has been adopted, with activities that concerned the strengthening and management of 100% of digital leads, the use of digital channels to communicate with Customers and the free-of-charge activation of the Home Banking solution. as well as the management of pensions of Customers that do not use debit cards.

The Bank has developed its strategy to **support businesses** in coping with the emergency with bespoke solutions, including **subsidized payment terms** for instalments, dedicated credit lines, loans with pre-set amounts, targeted repricing and bilateral zeroing of credit rates. Furthermore, it has engaged in a continuous process for designing solutions able to support its Retail Customers to meet any contingencies generated by the pandemic.

Approximately 45% of the Group's branches have been closed to the public. On the other hand, in terms of access to Branches, it has been decided to close the Branches in the afternoon throughout Italy, with **set rules** for entry, only on appointment and in compliance with minimum safety distance. The personnel at Branches has been reduced by 50%, with extraordinary sanitisation of the premises and the provision of healthcare materials such as masks and hand sanitizing gel. As regards Central Departments, 100% of the personnel has been enabled for **smart working**. Within internal communication. the personnel has been informed of behavioural, hygiene and safety rules and has been given the possibility to receive training in the **Easy Learning** online mode throughout the emergency period.

The Bank has also proved true to its commitment of closeness and proximity to the community: several initiatives were finalized in the emergency period to provide **concrete help**. On CrowdForLife, the crowdfunding portal of the Crédit Agricole Italia Banking Group, a fundraising campaign was launched at a national level to support "**A Time for Kindness**", the project of the **Italian Red Cross** aimed at providing people experiencing difficulties with fundamental services, such as groceries or essential medications delivered at home. The companies of the Group have opened the fundraising campaign with a donation of **one million Euro**, an amount that enabled the Italian Red Cross to purchase a camp hospital and vehicles for medical and emergency transportation.

Furthermore, thanks to its relationships with businesses and individuals, Crédit Agricole Italia purchased **82 assisted ventilation and intensive care monitoring machines**, which were donated to many hospitals in the Emilia-Romagna, Liguria and Tuscany Regions, in synergy with its shareholders Cariparma, Piacenza e Vigevano, Carispezia and San Miniato Foundations, and with companies based in the area, including Finice. In the Romagna region the **Bufalini Hospital of Cesena was supported**, in cooperation with CariCesena Foundation, the "**Degli Infermi**" Hospital of Faenza was supported with Banca del Monte e Cassa di Risparmio Faenza Foundation. as was the "**Infermi**" Hospital of Rimini with the Carim Foundation. In addition to the aforementioned initiatives, contributions were given to the **Solidarity Fund for Households of the Catholic Church Curia of Lodi** and to the **Diocese of Parma** for activities to help vulnerable people. Contributions have been allocated to support the Cesena section of the Italian Red Cross in purchasing healthcare materials, while, to the Veneto and Friuli sections, **128 thousand pairs of gloves, 10,000 masks and approximately 2,000 overalls** were donated. **Other fundraising actions**, at local level, were launched on the Group's **crowdfunding** portal (www.ca-crowdforlife.it), in cooperation with Fondazione Cariparma and Crédit Agricole FriulAdria.



DESCRIPTION OF BUSINESS ACTIVITIES

Through its commercial banks, always true to its **proximity bank** role and thanks to its distinctive positioning based on Customer centrality, the Crédit Agricole Italia Banking Group has designed its commercial offer to meet the needs of all market segments, with a range of bespoke products and services, including the innovative advisory services on investments, which rely on the strengthened network of Financial Advisors and on continuous improvement of digital channels. Thanks exactly to the digital component, **the offer has become omnichannel, i.e. products and services are available at any time and everywhere, thus with even closer proximity to Customers**.

The Bank serves individuals, households, small businesses and Institutional customers through its Retail channel and enterprises through its Corporate Banking channel, with an International Desk supporting small and medium enterprises in their development abroad, and with a complete service model for Large Corporate customers. Furthermore, the Crédit Agricole Italia Banking Group has a complete range of products and services designed for the Agri-food sector, along with specialist advisory services developed by its Agri Agro structure.

In structural terms, in 2019 the Group continued towards full commercial and behavioural integration of its new markets, resulting from the acquisition, which was finalized at the end of 2018, of Cassa di Risparmio di Cesena, Banca Carim and Cassa di Risparmio di San Miniato, within the "Fellini Project", wherefrom the "Felling Banks" or "Ex Fellini", in order to harmonize the existing expertise and best practices, while rationalizing local structures.

The merger by absorption of Carispezia was also finalized, with the twofold objective of streamlining decision-making and operational processes, thus generating considerable organizational synergies, and of strengthening the service model, ensuring constant focus on Customers and investing again in the communities.

In 2019, the Crédit Agricole Italia Banking Group strengthened its Financial Advisors commercial channel, which operates in 11 different markets, defined by geographical area, through a growth path that is based on customer satisfaction. the resources' professional development and the service model evolution. The Group's Financial Advisors are a reference point for its customers: they provide a wide, complete and specialist range of advisory services developed in synergy with the other business units.

In 2019, the Group also launched **CrowdForLife**, its crowdfunding platform that, in the footsteps of the Eticarim portal, **is a meeting point between nonprofit organizations and entities** seeking funds and all those that want to support their projects.

SUSTAINABILITY MODEL AND APPROACH

Featuring strong roots in the communities it operates in. the Crédit Agricole Italia Banking Group carries out its business consistently with its funding concepts of **Integrity, Trust, Responsibility, Transparency, Respect for diversity, Commitment and Professionalism and Confidentiality**, which together outline the Group's core values. Around these key words, over time the Bank has developed its distinctive approach, based on social responsibility as the core guideline in its relationships with communities and local areas.

Responsibility and proximity together have made the Bank a focal point in the local economic fabric and a proactive player in the Country's development. In line with its stakeholders' expectations, the Crédit Agricole Italia Banking Group has an approach to business in which Corporate Social Responsibility is a business development driver rather than something besides business operations; indeed it is fully integrated in the strategies of the Parent Company and of all its entities.

In 2019, the Crédit Agricole Group presented its new Medium Term Plan to 2022, which was designed in cooperation with the Regional Banks and with Crédit Agricole S.A. The Group Project expresses, for the first time ever, Crédit Agricole's raison d'être, which is the foundation of its unparalleled relational model.

Forward-looking and always true to the Group's tradition, its "Raison d'être" guides its transformation and development, while promoting its values of usefulness and universality; it can be summarized as:

"Working every day in the interest of our customers and society"

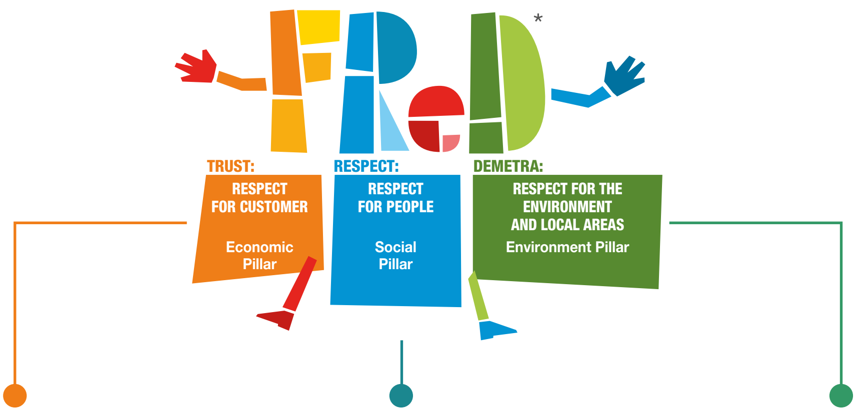
In this long-term perspective, the 2022 Strategic Plan is, for Crédit Agricole, a project for growth continuing the "Ambizione Strategica 2020" **previous Medium Term Plan**. whose objectives were mostly achieved one year ahead of schedule.

This is the reason why, in actual fact, the Group operations require the participation of local communities and players, starting from listening to and exchanging views on the local needs and the directions on which to build a strategy aimed at joint design and provision of tailor-made products and services.

As stated in its **Code of Ethics**, the Group has chosen to fulfil the commitment it has undertaken to its stakeholders, at a micro-level, and, thus, to each customer, employee or vendor, and at macro-level, as a partner for the community as a whole, for local areas and for the Country's economic system in general, with full responsibility and accountability for the impacts generated by its activities.

These choices have made the Crédit Agricole Italia Banking Group a bank at the service of local communities, directly experiencing emerging needs and placing trust in the players it shares daily and local life with. The strong relationships nurtured with customers and economic players, along with effective prevention of the risks typically generated by an evolving scenario, especially in terms of reputation. have contributed to design a strategy that, while creating value for the bank, creates value for the communities and vice versa, implementing a biunivocal and sustainable model of growth.

The most factual prove of this strategy is outlined by the **FReD meta-project**: it is a framework initiative involving all the entities of the Group through a dashboard that is shared and different at the same time and has been. for years, basis to design social responsibility policies, to measure progress in projects with a synthetic indicator and to compare the projects and results of the individual entities of the Group. FReD identifies Trust, Respect and Demetra as the three sustainability areas of the Group, on which, every year, its entities implement four projects, three of which are shared throughout the Crédit Agricole as a whole.



"Trust" is the area of projects aimed at developing products and services that are tailor-made customers, accessible and that ensure their interest are pursued, with the core assumption that business relations and operations must be based on ethics and transparency.

"Respect" comprises the initiatives regarding attention paid to and wellbeing of people in their job, both in terms of work quality, fostering participation and dialogue in the company and in terms of work-life balance. It is intended for all the employees and other staff of the Group, enhancing their diversity and fostering inclusion and equal opportunities, as well as for its stakeholders in the various communities, involving them in social and cultural projects and in projects pursuing the economic development of the communities where the Group operates.

"Demetra" embodies the Group's commitment to protecting the environment and to combating climate change, which materializes as initiatives to reduce the direct impact generated by the Group operations on the environment and, at the same time, as credit and insurance products and services that incentivize green economy and initiatives for energy production from renewal sources. To monitor progress in the various projects towards the set FReD objectives, Crédit Agricole has retained an Audit Firm, which, through its auditing activities, assigns a score whereby the activities can be measured and compared.

The fact that the achievement of FReD improvement objectives is taken into account in the incentive system for the Company's managers gives evidence that sustainability is an integral part of the Group's strategy and culture.

At the meetings of the Group's Steering Committee, the top management deals with Social Responsibility matters. The Steering Committee, which consists of the senior managers reporting directly to the CEO, is responsible for setting and driving the Bank's strategies and projects, focusing on the development lines of the CSR approach and on the progress in FReD projects.

The Crédit Agricole Italia Banking Group's social responsibly is controlled and managed by the Internal Communication and CSR structure, which is part of the Communication Division and is engaged in developing initiatives and activities with high social and environmental value, in managing reputational risks and, at the same time, in coordinating the process for the management and reporting of the Group's non-financial performances.

*FReD: Italian acronym

On 25 September 2015, the United Nations approved the Global Agenda for Sustainable Development. The Agenda consists of 17 Sustainable Development Goals (SDGs), which, in their turn. consist of 169 Targets.

The SDGs and related targets are intended for many and different addressees, including businesses, the public sector, civil society, philanthropic institutions, universities, research centers and information and culture operators, in order to show the way towards and sustainable horizon. for all Countries, none excluded.

After 5 years of its publication. more and more players have decided to engage the challenge thrown by the United Nations, especially enterprises and banks. Indeed, not only have SDGs been included in reporting processes, but they are true drivers in corporate strategies aimed at creating new responsible business models, also through innovation in products and services.

For the Crédit Agricole Italia Banking Group, social responsibility is not simply a duty to communities, but also a true competitive level on which, over time, it has built its corporate strategy and internal culture. For years now the Bank has been engaged in supporting the growth and development, not only economic, of Italy as a whole, standing by the side of communities and strengthening its relationships with the main stakeholders.

With the adoption by the United Nations of the 17 Sustainable Development Goals, the Group's commitment to local communities has extended to a global horizon. further strengthening the concept of being a responsible bank and setting clear directions and benchmarks for its operations.

While providing the Group with an innovative standpoint for interpreting its mission of being a sustainable bank, the SDGs can be used as a yardstick shared by all the players engaged in that common intent called Sustainable Development. Furthermore, they work as a sound box both for the concepts of Integrity, Trust, Responsibility, Transparency, Respect for Diversity, Commitment and professionalism and Confidentiality - which are the Group's core values - and for the commitments to stakeholders, as stated in its Code of Ethics. To enhance the synergy between its operations and the global objectives, the Bank has decided to identify specific targets on the Agenda as the basis for the social and environmental change generated by its core business.

The income and financial results for 2019 of the Crédit Agricole Italia Banking Group are presented below in terms of the general added value that it generated and distributed, in accordance with the updates of Circular 262 of the Bank of Italy(*).

CONSOLIDATED STATEMENT OF ADDED VALUE (thousands of Euro) 201-1			2019	2018	2017
10.	10.	Interest and similar income	928,260	927,732	1,016,183
20.	20.	Interest and similar expense	81,425	65,550	-149,960
40.	40.	Fee and commission income	956,144	931,731	781,817
50.	50.	Fee and commission expense (net of expenses for external networks)	-43,378	-40,184	-47,756
70.	70.	Dividends and similar income	11,368	12,614	8,839
80.	80.	Net profit (loss) on trading activities	15,147	10,711	18,510
90.	90.	Net profit (loss) on hedging activities	-10,121	-10,832	-12,592
100.	100.	Profit (Loss) on disposal or repurchase of:	-8,883	31,951	26,316
		a) financial assets measured at amortized cost	-12,046	5,444	
		b) financial assets measured at fair value through other comprehensive income	3,314	26,428	
		c) financial liabilities	-151	79	
		a) loans			-15,260
		b) financial assets available for sale			43,128
		c) investments held to maturity			0
		d) financial liabilities			-1,552
110.	110.	Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	-29	3,176	
		a) financial assets and liabilities designated at fair value	0	0	
		b) other financial assets mandatorily measured at fair value	-29	3,176	
		Net profit (loss) on financial assets and liabilities measured at fair value			-30
130.	130.	Net losses/recoveries for credit risk on:	-219,605	-252,314	-237,536
		a) financial assets measured at amortized cost	-218,491	-251,366	
		b) financial assets measured at fair value through other comprehensive income	-1,114	-948	
		a) loans			-212,736
		b) financial assets available for sale			-23,344
		c) investments held to maturity			0
		d) other financial activities			-1,456
140.		Profits/Losses on contract modifications without derecognition	-3,357	-1,037	
230.	220.	Other operating expenses/income	283,784	294,346	770,410
250.	240.	Profits (Losses) on equity investments (as regards the portion of profit/losses on disposals)	12,806	8,530	8,048
280.	270.	Profit (losses) on disposals of investments	497	118	349
320.	310.	Profit (Loss) after tax from discontinued operations	0	0	0
A. TOTAL ECONOMIC VALUE GENERATED			**2,004,058**	**1,982,092**	**2,182,598**
190.	180.	b) Other administrative expenses (net of indirect takes and charity/ donations and contributions to resolution and deposit guarantee schemes) (-)	472,984	552,176	477,043
ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS			**472,984**	**552,176**	**477,043**
190.	180.	a) Personnel expenses (including expenses for external networks - e.g. agents, financial planners) (-)	727,755	742,023	610,772
ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES AND OTHER STAFF			**727,755**	**742,023**	**610,772**
340.	330.	Profit (loss) for the period attributable to minority interests	12,087	18,155	11,640
ECONOMIC VALUE DISTRIBUTED TO MINORITY INTERESTS			**12,087(**)**	**18,155**	**11,640**
		Net profit distributed to shareholders	0	128,571	110,965
ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS			**0**	**128,571**	**110,965**

(*) As reference: subsequent to the entry into force of IFRS 9, the data reported in the 2019 and 2018 statements have been compared to 2017 ones, where comparable, whereas new rows have been added for new and non-comparable figures as required in accordance with the updates of Bank of Italy Circular 26.

(**) The portion attributed to Shareholders reflects the allocation of the net profit for the period to dividends, which the Board of Directors of the Parent Company is going to propose to the General Meeting of Shareholders.

CONSOLIDATED STATEMENT OF ADDED VALUE (thousands of Euro) 201-1			2019	2018	2017
190.	180.	b) other administrative expenses: direct and indirect taxes (-)	118,215	121,199	101,773
190.	180.	b) Other administrative expenses (net of charity/donations and contributions to resolution and deposit guarantee schemes) (-)	40,703	40,188	23,868
300.	290.	Income taxes for the year (current taxes, changes in taxes, decrease in taxes)	68,518	72,252	52,209
ECONOMIC VALUE DISTRIBUTED TO CENTRAL AND PERIPHERAL ADMINISTRATION			**227,436**	**233,639**	**177,850**
190.	180.	b) other administrative expenses: charity and donations (-)			
		Profit allocated to the charity fund	2,000	1,800	2,200
ECONOMIC VALUE DISTRIBUTED TO THE COMMUNITY AND THE ENVIRONMENT			**2,000**	**1,800**	**2,200**
B. TOTAL ECONOMIC VALUE DISTRIBUTED			**1,442,262**	**1,676,364**	**1,390,470**
200.	190.	Net provisions for risks and charges	5,633	-23,378	
		a) commitments and guarantees given	-3,244	-4,592	
		b) other net provisions	8,877	-18,786	
		Net provisions for risks and charges			58,219
210.	200.	Net adjustments of/recoveries on property, plant and equipment	80,163	44,266	32,163
220.	210.	Net adjustments of/recoveries on intangible assets	90,853	84,748	71,877
250.	240.	Profit (losses) on equity investments (writedowns/writebacks, value adjustments/recoveries, other expenses/income)	0	0	0
260.	250.	Profit (losses) from property, plant and equipment and intangible assets measured at fair value	0	0	0
270.	260.	Impairment on goodwill (-)	0	0	0
300.	290.	Income taxes for the period (change, deferred tax assets and liabilities)	73,078	56,565	52,794
		Profit allocated to reserves	312,069	143,527	577,075
C. TOTAL ECONOMIC VALUE RETAINED			**561,796**	**305,728**	**792,128**

Sustainability in the supply chain

For the Crédit Agricole Italia Banking Group, being a proximity player for local areas and communities means proving its social responsibility towards the entire ecosystem around it. Not only does this mean generating value downstream the supply chain. i.e. for its customers, maintaining close relationships and developing solutions to provide support to the economic fabric and people, but also controlling the chain upstream.

The Bank has adopted a supply chain management model that takes both social and environmental variables into account. Indeed, suppliers of goods and services are selected based also on these criteria and, where possible, local supplier are preferred, in order to foster growth in the communities the Group operates in even further.

The registration with the EcoVadis platform by suppliers is considered added value for the selection and rewarded with a specific score: it ensures a transparent view of the supplier’s sustainability performances and the possibility to improve its social and environmental profile.

Although not binding, the certification is requested during registration and tender procedures; the invited suppliers are asked to provide a self-certification on a form given by the Group representing whether they are registered with EcoVadis and possibly their score. However, being registered with EcoVadis is not a mandatory requirement to participate in tender procedures. Also during registration. suppliers are asked for their EcoVadis certification. but it is not a must-have to complete the qualification process.

In 2019, purchased goods and services came to Euro 411 million, **89%** of which was procured in Italy.

In 2019, a specific project started with the objective of consolidating the **integration of sustainability in the purchasing process**, preparing a Responsible Purchasing Policy. The related Work Plan will be implemented for the 2020-2021 two-year period and provides for:

- The preparation of a Risk Map by product type category to ensure that the Buyers pay specific attention during calls for tenders for specific categories of goods or services;
- The revision of assessment standards and parameters in tender procedures, including the increase in the weight of the "Sustainability - CSR" parameter;
- The possibility to establish sustainable relationships with suppliers, with dedicated meetings and proactive consideration of their feedbacks.

In 2019, the first initiatives were implemented with the objective of improving the relationship with the suppliers of the Banking Group and AGOS. The initiatives included the preparation of the first **Survey for suppliers**, 65% of which are SMEs, to monitor their level of satisfaction in their relationship with Crédit Agricole Italia and with the Purchasing Department, as well as their views of the supply chain with the Group.

Next, the first event dedicated to suppliers was organized, during which the survey outcomes were presented and commented, the Group's objectives were shared along with the commitment to strengthen the partnership.

These two initiatives are part of a wider project stemming from the Group's will to improve its Value Chain. creating added value also for its Suppliers. The objective is to evolve the relationship model from "Supplier-Customer" to "equal Partners". The approach also includes a focus on listening to Suppliers' needs, opinions and points for relationship improvement and special attention to SMEs.

Procurement value and location (204-1)		2019	2018	2017
Total value of procurement (EC4)	€	410,744,751	503,451,699	448,380,579
- of which foreign suppliers	€	43,930,804	40,192,024	35,892,463
	%	10.70	7.98	8.00
- of which Italian suppliers	€	366,813,947	463,259,675	412,488,116
	%	89.30	92.02	92.00
Lazio	€	55,528,666	68,367,820	66,484,761
Emilia-Romagna	€	101,328,648	98,676,197	110,766,692
Lombardy	€	139,465,659	171,484,506	150,547,834
Friuli-Venezia Giulia	€	8,031,218	11,033,390	10,482,417
Veneto	€	11,008,818	12,811,690	11,966,353
Tuscany	€	13,485,471	18,980,185	12,829,045
Liguria	€	15,608,425	16,000,927	20,034,036
Campania	€	4,413,082	8,018,229	7,865,119
Piedmont	€	10,865,248	10,971,314	11,234,228
Puglia	€	1,073,446	1,320,699	1,437,384
Marche	€	2,568,837	2,009,771	1,298,689
Abruzzo	€	2,021,116	3,051,754	4,887,605
Trentino-Alto Adige/Südtirol	€	120,307	730,521	638,324
Umbria	€	527,838	1,381,431	1,419,339
Other Regions	€	767,168	38,421,241	596,290

The value of supplies has been recalculated vs. the figures published in the previous NFSs subtracting the portion for intra-group items from the total value.

The Group ensures constant and close monitoring of the suppliers on the register: they are required to submit the anti-mafia certificate and a specific statement pursuant to Italia Legislative Decree 231/01. The Bank regularly monitors the contracts it has in force and verifies every year that its suppliers are not on the lists of persons subject to international sanctions or in its Related Parties list, that they are not based in Countries subject to embargoes or under surveillance and that the revenue from their contracts with the Group does not exceed 25% of their total revenue.

The Crédit Agricole Italia Banking Group governs the activities with their suppliers through its specific **Purchasing Policy** which takes into account the provisions of the Code of Ethics and the applicable legislation and internal regulations in force. To control the environmental impact, albeit indirect, the Bank ensures that the operations of its suppliers are carried out with a **responsible approach**.

To this end, it requests **certifications in the qualification stage, promotes awareness and proactive policies** that provide for any polluting products or activities to be excluded from its transactions with suppliers.

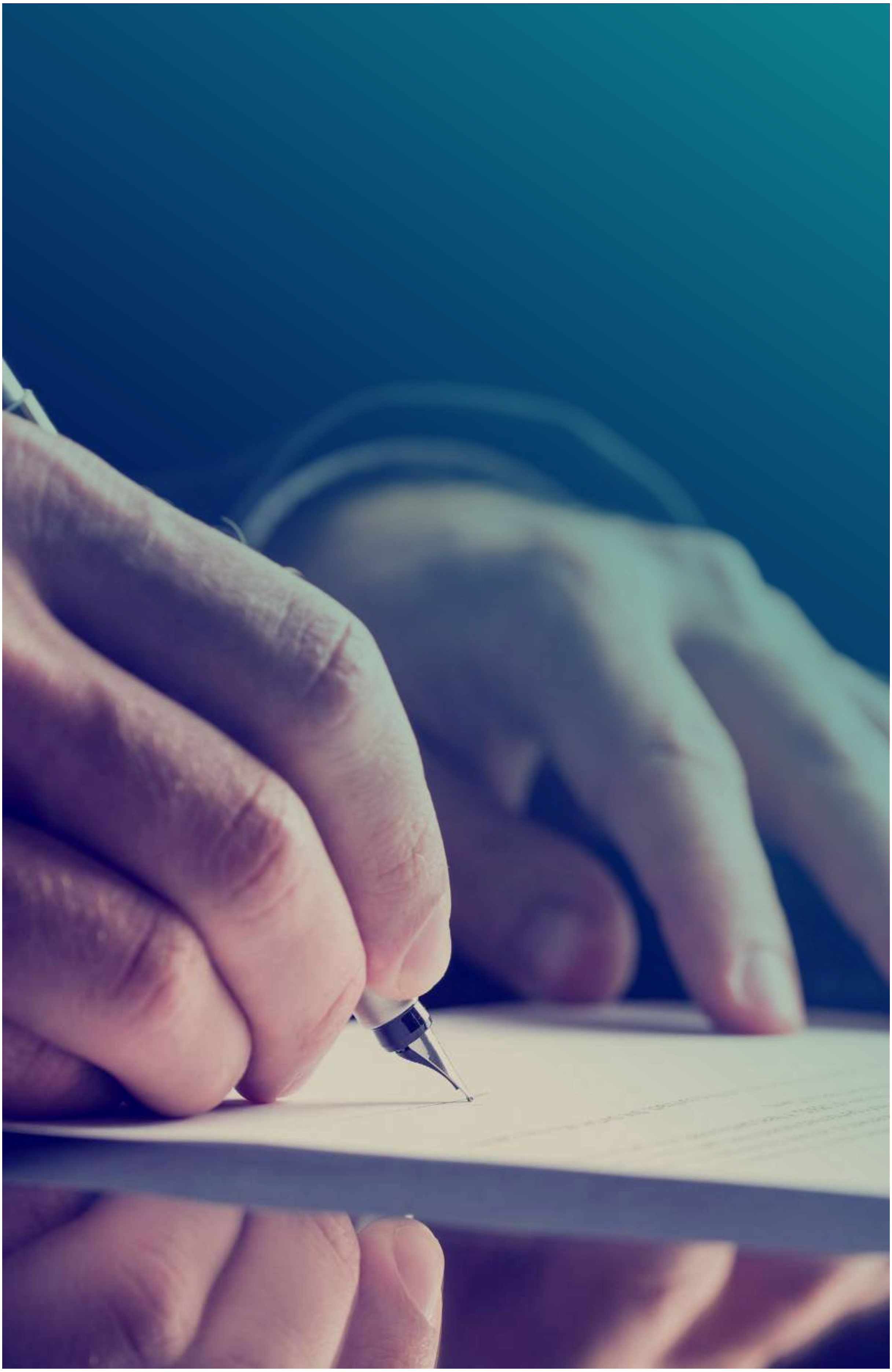
Furthermore, each supplier shall expressly accept the General Terms and Conditions and the Regulation for participation. the Confidentiality Annex and Information to data subjects, as well as acknowledge the Code of Ethics of the Crédit Agricole Italia Banking Group and the Code of Ethics of Agos Ducato in order to access the Purchasing Portal.

On the other hand, to be entered in the Group's register, suppliers shall:

- accept the general terms and conditions for participation and the related penalty clauses;
- an identity document and Taxpayer Registration Number of the Legal Representative;
- the Italian Certificate of Labour Compliance (Italian acronym DURC);
- a self-statement on minimum safety measures;
- the statement, pursuant to Italian legislative Decree 231/2001;
- technical and professional capacity;
- the antimafia document;
- certificate of entry in the Business Register or in a Register of specific professions;
- limits of liability of the insurance policies covering Third Party Liability, Employer Liability and Professional risks.

To the practices for the ordinary Register, other initiatives have been added and, **to date, are in a preliminary analysis stage**; the related projects and work focuses shall **be carried out in 2020 and 2021**.

Selection and qualification of suppliers (414-1; 308-1)	2019	2018	2017
Suppliers on the register with at least one certified HSEQ system	**24%**	**26%**	**n.a.**
of which ISO 9001-certified	87%	98%	99%
of which ISO 14001-certified	28%	30%	33%
of which compliant with SA 8000	10%	9%	9%
of which OHSAS 18001-certified	21%	21%	21%
of which ECOVADIS-certified	8%	4%	n.a.
Suppliers entered in the register in 2019 having at least one certified HSEQ system	**2%**	**2%**	**n.a.**
of which ISO 9001-certified	87%	98%	n.a.
of which ISO 14001-certified	27%	32%	n.a.
of which compliant with SA 8000	4%	7%	n.a.
of which OHSAS 18001-certified	27%	25%	n.a.
of which ECOVADIS-certified	17%	0%	n.a.



CORPORATE
MODEL

The corporate and business management model

GOVERNANCE AND ORGANIZATIONAL STRUCTURE

The Crédit Agricole Italia Banking Group has a traditional governance model consisting of the General Meeting of Shareholders, the Board of Directors and the Board of Auditors. The Board of Directors is responsible for managing the Company and for strategic oversight on risk control, whereas the Board of Auditors is vested with control functions. Specifically, the Board of Directors adopts organizational models as well as operating and control mechanisms that are adequate and compliant with the applicable legislation and with the set corporate strategies.

On the other hand, the Board of Auditors ensures that all risks are under control, supervising proper operation of the internal controls system, providing adequate and effective coordination of all the structures and roles involved and, in case of any deficiencies or irregularity, setting the relevant corrective actions. Finally, the Executive Bodies and Roles are responsible for directing operations to implement the set corporate strategies.

The governance system has been developed in compliance with the industry-specific applicable legislation in force and vests a single body with strategic oversight and management functions. This ensures **unified corporate direction and higher efficiency both in management and in control**, supported by corporate strategies and by policies for the management and control of the risks associated with the banking business.

The organizational structure of the Company's Governance system is implemented in all the companies of the Group: it is approved by the subsidiaries' Boards of Directors, in order to constantly ensure independent assessment, proper separation of duties and assignment of responsibilities in accordance with the specific scopes.

The Company's Board of Directors approves the risk policies validated by the Boards of Directors of the individual entities. In order to prevent conflicts of interest, the subsidiaries' Boards of Directors delegate responsibilities and assign scopes and roles to the relevant corporate structures.

A central structure coordinates the operations of the banks of the Group: the structures engaged in business functions and in separate control functions report directly to it and it is engaged in operational functions with centralized governance.

The internal reference for directing operations is the **Code of Ethics**, which is regularly reviewed by the Compliance Department, either at its own initiative or upon request of other structures, in cooperation with a multidisciplinary team.

It expresses the Group's values, outlines its ethics culture, the commitments it has undertaken to its stakeholders and the responsibilities for business management.

The Code of Ethics is at the core and an integral part also of the Organization. Management and Control Model of the Group's Companies pursuant to Italian Legislative Decree 231/2001 (OMC), which was updated to the new developments in the applicable legislation and in accordance with the organizational changes occurred. On its part, the **Code of Conduct** of the Crédit Agricole Italia Banking Group lays down the conduct guidelines and standards of ethics, confidentiality and professionalism, consistently with the values and principles at the basis of the Code of Ethics.

COMPLIANCE, INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Compliance Department is responsible for the management and control of noncompliance risks and risks affecting the integrity of corporate processes and procedures and ensures that all applicable national and international legislation. as well as the Parent Company's guidelines are abided by. Thus, the Compliance Department ensures:

- Prevention of money-laundering and terrorism financing risks in accordance with the applicable legislation;
- Prevention of market abuse and of the other offences envisaged by Italian Legislative Decree 231/01;
- Full compliance with the legislation governing the banking and intermediation business;
- Personal data protection in accordance with the applicable legislation.

To protect the Companies of the Group, their top management and their employees from risks of penalties, financial losses and reputational damage, the Compliance Department provides advisory services and assistance, while constantly ensuring the centrality of customers' interests. In the areas where controls are formalized, it cooperates with the relevant structures in setting risk assessment methods and the related procedures to verify the effectiveness of noncompliance risk prevention.

The Risk and Internal Control Committee governs the structures engaged in control functions, namely Internal Audit, Compliance, Risk Management and Permanent Controls, and the internal control systems, in accordance with the instructions given by the Parent Company. It examines and approves the risk management guidelines, expresses opinions on the Risk Policies to be submitted to the Board of Directors for approval and decides on the proposals made by the relevant work groups regarding risk management and prevention. Finally, it constantly analyzes any development in the applicable legislation and proposes any appropriate changes.

The Group interfunctional committees, including the New Activities and New Products Committee (NAP), the Investment Committee, the Non-Performing Exposures (NPE) Committee and the Loan Monitoring Committee, participate in and report to the Audit Committee for Internal Control and are provided with support by the control structures in accordance with their specific responsibilities. The Internal Audit Department is responsible for constant control on the activities and processes of the organizational units of all the Companies of the Group and the most important outsourced Operational Functions; it also responds to any irregular behaviours or situations. The performed activities are reported to the Top Management, to the Corporate Bodies and to the Parent Company.
It verifies that the internal controls system is adequate to ensure the effectiveness and efficiency of the corporate processes as implemented, protection from losses, the value of assets, the quality of accounting and management information and compliance of operations with both the policies set by the corporate governance bodies and with all applicable internal and external regulations. The Internal Audit Department is independent of all executive and decision-making structures or roles that entail risk-taking.

The approach to risk management

The Risk Management and Permanent Controls Department is responsible for control and governance of the risks of all the Companies of the Group, except for the Compliance-specific ones mentioned above. The risk management and control process is based on the following principles:

- Clear identification of risk-taking responsibilities;
- Measurement and control systems that are compliant with the Supervisory guidelines and consistent with the solutions more frequently adopted at an international level;
- Organizational separation between operating and control functions.

As regards the Group's approach to risk identification. every year the Risk Management and Permanent Controls Department maps material risks in cooperation with the risk owners and based on qualitative/quantitative assessments; this process is performed as specified in the RACI and in the ICAAP and ILAAP documents. In 2019, a new system was developed for the management of ICT risks, while the management of operational risks (especially as regards personal data protection and payment security) was strengthened and constantly updated. Furthermore, special focus was placed on the management of the risks associated with outsourced activities, both in terms of business continuity and quality for the Customers.

Risk Appetite Framework

The Risk Appetite Framework (RAF) sets the risk capacity, i.e. the maximum levels of risk that may be taken for each type of risk. The risk appetite depends on the strategic directions that the Group wants to pursue and on the related risk management policies. It is expressed with:

- A selective and responsible approach to lending, outlined in a prudent lending policy, which is set in the Risk Strategy, in the Corporate Social Responsibility policy and in the system of decision-making powers in force;
- The direction towards a modest risk profile on all the main financial risks, with specific focus on control of the exposure to market risk;
- Strict oversight on exposure to operational risk;
- A system of controls aimed at mitigating noncompliance risk (identified and monitored);
- Accurate measurement of risk-weighted assets;
- Integrated management of the Group’s assets and liabilities.

Along with the use of the RAF, in order to ensure the best possible control on risks, the Group regularly updates its risk measurement methods and models through frequent monitoring and control activities that are the same for all its subsidiaries, each one of which is responsible for sharing and implementing, with their respective corporate bodies, risk management policies and procedures that are proportional to the risks taken. The Governance reference framework is closely related to the RAF: the business model and the strategic plan. the risk appetite, tolerance thresholds, risk limits, risk management policies and the related processes to define and implement them are determined in accordance with the set risk capacity.

The use of the Framework is accompanied and supported by the Policies on the RAF and on the Most Relevant Transactions (*Operazioni di Maggior Rilievo* MRT or with the Italian acronym OMR) and by the Risk Appetite Statement (RAS), which sets out the risk management governance process and identifies the roles of the management and control structures within the Group for adequate control of risks and proper setting of the RAF. Furthermore, for each and every qualitative and quantitative risk mapped, the related risk ratios/indicators and alert thresholds are set, which, if breached, trigger a Recovery Plan process.

As at 31 December 2019, the Group’s primary ratios/indicators were found satisfactory and consistent with the Risk Appetite set by the Group. The internal controls system implemented by the Crédit Agricole Italia Banking Group has been structured in compliance with the applicable Supervisory provisions (Bank of Italy Circular 285/2013) and with the model of the Controlling Company Crédit Agricole S.A.; it uses a system for monitoring constant control of risks and the adequacy of control activities to the organizational structure of the Group, as well as the reliability, accuracy and promptness of the relevant reporting.

In 2019, as usual, the Risk Strategy document for 2020 was prepared. Consistently with the commitments that the Group has undertaken in terms of sustainability and with the requests of the Parent Company Crédit Agricole, the 2020 Risk Strategy document was supplemented with an in-depth assessment of the ESG policies implemented by the Group as regards the green activities performed by Crédit Agricole Leasing Italia.

The management of social and environmental risks

The risk analysis methods used by the Crédit Agricole Italia Banking Group are constantly updated, in order for the Group to have always advanced and innovative solutions that optimize customer analysis, increase the efficiency of processes and implement monitoring systems.

The system of controls that the Crédit Agricole Italia Banking Group implements on social and environmental risks is by now fully established and deeply rooted in its organization: it has adopted a structured prevention model that aims at ensuring the Group’s strength by identifying, mapping, assessing and managing risks. The importance attached to ethics in business and to corporate social responsibility, as per the analysis of the social and market scenario, results in close attention paid to reputational risk.

This, broadly speaking, is at the core of the wider risk management system and is controlled in all corporate processes through a model for the prevention and management of possible operational risks, which prevents and mitigates any negative impacts on the brand identity and has been designed to protect the Group’ s reputation towards its stakeholders.

Scope	Material topics	Risk factor detected	Risk description	Management controls and mitigation actions implemented
Social	Innovation of the banking model and in the relationship with Customers	Risk of failing to protect personal data and privacy	Risk of losses caused by noncompliance with the applicable legislation on personal data protection	• Privacy - Policy of the CA Italia Banking Group • Personal data protection consolidated act • Domain policy (IT and privacy risk analysis method) • Implementation of Privacy By Design & By Default controls • Controls on external Suppliers, internal corporate activities and processes • Training
		Information and Communication Technology (ICT) Risk a. ICT availability and continuity risk • ICT security risk • ICT change risk • ICT data integrity risk • ICT outsourcing risk	Risk of losses caused by confidentiality breaches, loss of data and system integrity, inadequacy or unavailability of systems and data or impossibility to change ICT systems in a reasonable time and at reasonable costs, in case of changes in corporate requirements or environment. This includes security risks resulting from inadequate or wrong internal processes, or from external events, including cyber-attacks or inadequate physical security	• ICT Risk Framework Policy • Policy governing the “Pilote des Risques Systèmes d’Information” function • Domain policy (IT and privacy risk analysis method) • Risk Strategy • ICT Risk control dashboard Permanent Controls Framework • Communication and Training • Periodic review of the security settings of the IT infrastructure • Continuous search for new cybersecurity technologies to strengthen defence
		Fraud Risk	Risk resulting from an intentional action aimed at obtaining tangible or intangible advantages, to the prejudice of a person or organization. perpetrated in breach of legislation. regulations, internal normative instruments and rules	• The CA Italia Banking Group’s policy for combating fraud • Regulation for the management of the fraud combating process • Code of Ethics • Code of Conduct • Mandatory training • 24X7 Fraud Prevention Control within Internet Banking and E-money
		Noncompliance risks	Risk of judicial or administrative penalties, material financial losses or reputational damage resulting from violation of mandatory requirements (laws, regulations) or self-regulation (articles of association. code of conduct, self-governance codes)	• Compliance Policy of the CA Italia Banking Group
	Responsible lending	Credit risk	Credit risk in financing activities featuring social issues It results from failure to assess material social aspects for the specific sector in measuring creditworthiness.	• Risk Strategy • Lending policies
	Development of the entrepreneurial fabric and agri-food sector	Credit risk	Credit risk in financing activities featuring social issues It results from failure to assess material social aspects for the specific sector in measuring creditworthiness.	• Risk Strategy • Lending policies
	Proximity to customers and communities	Reputational risk	The present or forward-looking risk of decrease in profits or capital subsequent to any negative perception of the Bank’s image by customers, counterparties, shareholders, investors and authorities	• Brand positioning and Corporate Social Responsibility initiatives (philanthropic activities carried out by the Group) • Code of Ethics • Code of Conduct
		Credit risk	Credit risk in financing activities featuring s It results from failure to assess material social aspects for the specific sector in measuring creditworthiness	• Risk Strategy • Lending policies
Fight against active and passive corruption	Integrity in governance processes and in the business management	Bribery and corruption risk	Risk associated with abusive conducts adopted within ordinary performance of a function. which aim at soliciting, offering, giving or accepting - directly or indirectly - unlawful assets or advantages or the promise of undue advantages	• Policy on prevention of bribery and corruption risk • Whistleblowing Policy • Code of Conduct • Code of Ethics • Model 231 • Training

Scope	Material topics	Risk factor detected	Risk description	Management controls and mitigation actions implemented
Human Resources Management	Internal dialogue, welfare and equal opportunities	Occupational health and safety risk	Risk of incurring losses subsequent to accidents and potential legal disputes for accidents at work regarding the activities performed, the workplace and work equipment.	• Code of Ethics and Code of Conduct • Mandatory training courses for all personnel • Risk Assessment Document and mitigation plan
		Noncompliance risk	Risk of judicial or administrative penalties, material financial losses or reputational damage resulting from violation of mandatory requirements (laws, regulations) or self-regulation (articles of association. code of conduct, self-governance codes), e.g. for violation of welfare and equal opportunity requirements.	• Ethics Charter of the Crédit Agricole Group • Code of Ethics • Code of Conduct • Charter of Respect • Agreement with the Trade Unions on gender violence • Women in Banking Chart
	Work relationships and development of human resources	Risk of non-retention of skilled resources	Risk of uncontrolled increase in turnover with the subsequent risk of losing skilled resources and consequent impact on productivity and competitiveness	• The Group's Remuneration Policies and Incentive System • Career paths • Development paths
Human Rights		Noncompliance risk	Risk of judicial or administrative penalties, material financial losses or reputational damage resulting from violation of mandatory requirements (laws, regulations) or self-regulation (articles of association. code of conduct, self-governance codes), e.g. discriminatory remarks, attitude or behaviours	• Ethics Charter of the Crédit Agricole Group • Code of Ethics and Code of Conduct
		Credit Risk	Credit risk in financing activities featuring social issues It results from failure to assess material social aspects for the specific sector in measuring creditworthiness.	• Lending policies
		Reputational risk	The present or forward-looking risk of decrease in profits or capital subsequent to any negative perception of the Bank's image by customers, counterparties, shareholders, investors and authorities	• Brand positioning and Corporate Social Responsibility initiatives (philanthropic activities carried out by the Group) • Code of Ethics • Code of Conduct
Environmental	Combating climate change and protecting the environment	Noncompliance risks	Risk of judicial or administrative penalties, material financial losses or reputational damage resulting from violation of mandatory requirements (laws, regulations) or self-regulation (articles of association. code of conduct, self-governance codes), e.g. noncompliance with the applicable legislation on environmental protection	• Strategy for upgrading the most polluting plants • Energy policy in force since April 2019
		Climate Risk Physical risk and transition risk	Physical risk that materialized upon occurrence of adverse climate events (e.g. floods, storms). Transition risk resulting from transition to an economy that consumes less coal. This risk factor mainly concerns the repricing of financial assets with exposures to coal.	• Model 231 • Lending policies • Code of Ethics • Strategy for upgrading the most polluting plants • Energy policy in force since April 2019
		Reputational risk	The present or forward-looking risk of decrease in profits or capital subsequent to any negative perception of the Bank's image by customers, counterparties, shareholders, investors and authorities, for example associated with possible environmental impacts	• Energy policy in force since April 2019 • Strategy for control on plants with renewable sources • Development of products and services with environmental purposes
		Credit risk	Credit risk in financing activities featuring environmental issues It results from failure to assess material environmental aspects for the specific sector in measuring creditworthiness.	• Lending policies • Risk Strategy • Code of Ethics

The Crédit Agricole Italia Banking Group has deployed tools to be used in management control of non-financial risks. Among them, worth mentioning are the **Ethics Charter and the Code of Ethics**, which are the general reference framework, the **Code of Conduct and the OMC model**, which sets out the structures involved in monitoring reputational risks on the activities they are respectively responsible for.

To manage risks, including non-financial ones, the Bank relies on its Risk Strategy. The Strategy sets the credit, financial, market and operational risk levels that are consistent with the Group's development plan and global limits, i.e. alert thresholds, and operational limits, which are approved by the Boards of Directors of the Parent Company and of each entity, which shall implement them. It is updated every year, is approved by the Risk Committee of Crédit Agricole S.A. and shared with the Parent Company.

The Risk Strategy includes the Lending Policies, which describe the way credit risk is taken and managed by the entities of the Group through expressly identified requirements and the directions that the Commercial Network and the Bodies in charge of Lending and Loan Management adopt to define lending proposals and decisions. The Lending Policies set the direction for a development strategy leading to balanced growth in loans to the worthiest customers, while controlling and recovering exposures to the riskiest ones.

This is done thanks to clear and transparent definition of the sectors that are deemed strategic for the growth of the communities the Group operates in and clear definition of the most attractive opportunities in terms of business for the Group strategy and of those that are riskier in social and economic terms, on which gradual downsizing plans are to be implemented up to full divestment. **Each new product or service is developed after analyzing social and environmental risks**, starting from conception and design. The New Activities and New Products (NAP) Committee approves all new products and services and validates the new solutions to be proposed to the market.

In accordance with the lending policies, no loan. of any type, is authorized to counterparties that are involved in the manufacturing, storage or sale of anti-personnel mines and cluster bombs and no credit facility is authorized intended for the financing of international trade of nuclear, biological or chemical weapons or other weapons of mass destruction. Among the sectors under surveillance, whose financing requires the consent to be given by the Anti-Money-Laundering Service and the assessment by central decision-making bodies, worth mentioning are casinos, gambling and betting, trade of works of art, renewable energy, trade and processing of diamonds, collection. treatment and disposal of hazardous waste and activities carried out by specific counterparties, such as non-governmental organizations.

The Parent Company has structured its programme for protection against the risk of international sanctions based on the Enterprise Wide Risk Assessment process, which considers all risk indicators regarding the specific activities potentially relevant for international sanctions carried out within the Group.

04

MATERIAL TOPICS

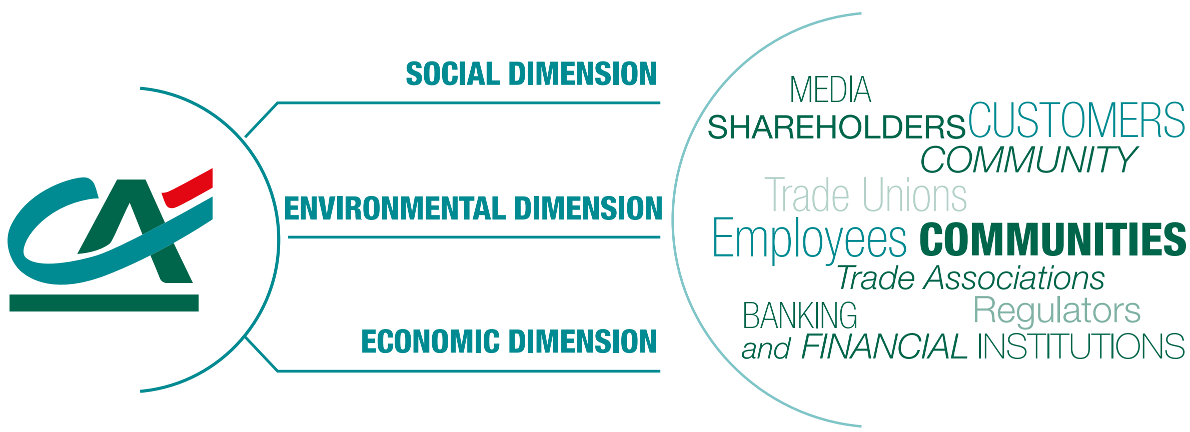
Material topics relevant to business operations

Every year, the Crédit Agricole Italia Banking Group updates the materiality analysis whereby its material topics can be defined, i.e. topics that are deemed material both by the Group and by its stakeholders, having regard to its business activities and their impact on local areas and communities.

This exercise also complies with the requirements laid down by Italian Legislative Decree 254/2016, as it identifies the topics that are "[…material considering the company's operations and features]". Therefore, these aspects have been reinterpreted and adjusted to the scopes of application listed in the Legislative Decree. Furthermore, the materiality analysis contributes to outlining a picture of ESG-linked risks and opportunities, which, integrated into the business, complete the Group profile.

In order to define the material topics specific to its operations, **every year the Bank updates a structured process starting from the matters identified in the previous year**, which are assessed also based on the inputs it receives from both inside and outside the company perimeter. Therefore, material topics are the outcome of a listening process that brings together the industry trends and the stakeholders' voice, starting from the Group's personnel all the way up to local communities. The 2019 analysis activity was performed examining:

- The directions given by the Group's peers and by the Doxa survey, with the CSR initiatives promoted by competitors
- The industry trends described in the documents Evolution in the Italian Banking System: key indicators - KPMG, Survey on IT in the Italian Banking System - ABI, Banks for Growth - ABI, Action Plan - European Commission;
- Pressure from the media identified through web press reviews;
- The 17 goals with the related 169 targets on the United Nations 2030 Agenda for Sustainable Development, with the views of three customers and five suppliers that were interviewed on innovation and sustainability topics
- The commitments formalized in the Code of Ethics and in the Code of Conduct the strategic directions identified by the Parent Company
- The outcomes of the survey on the Group's employees on the topics of the sustainability pillar
- The outcomes of the ERI - Engagement Recommendation Index - climate survey

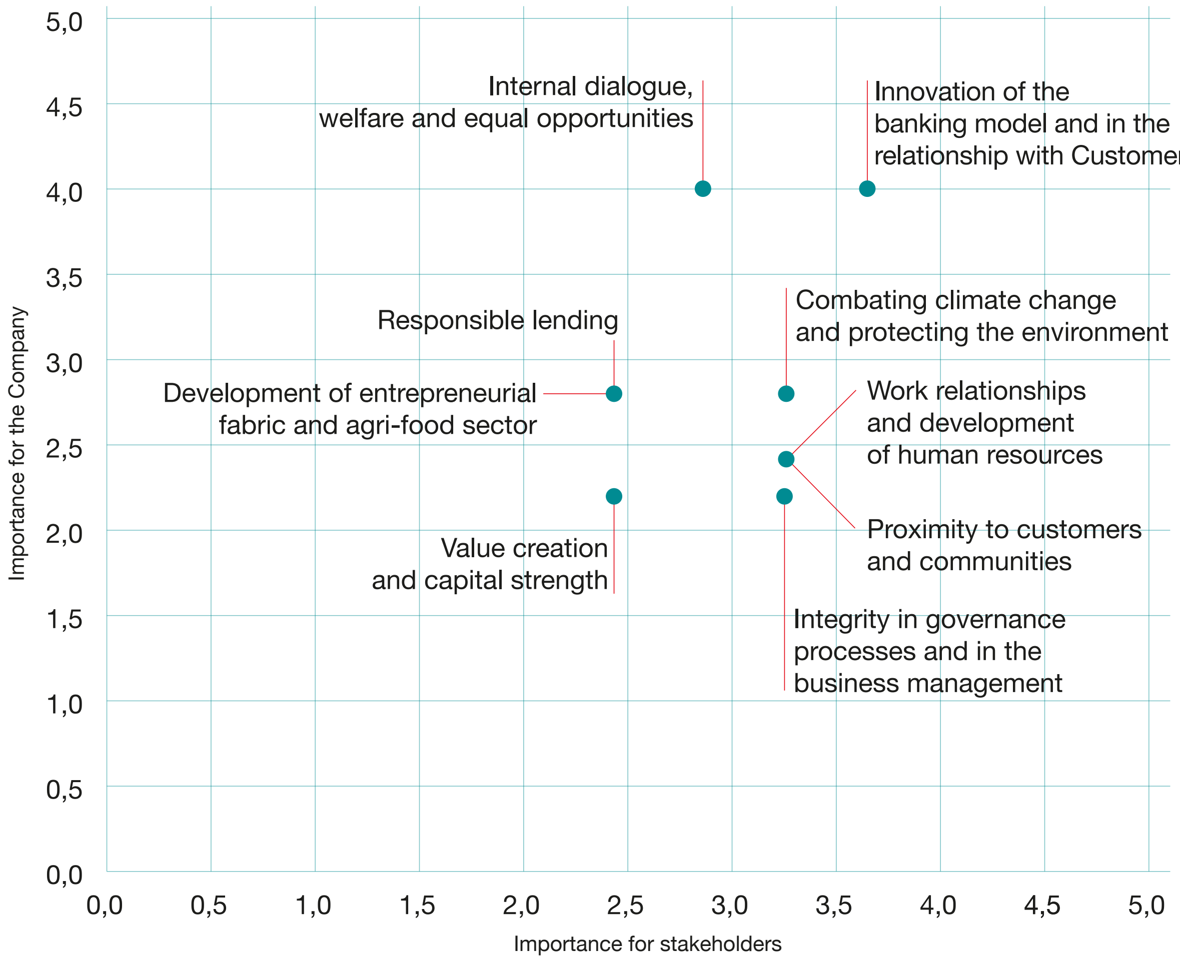


The analysis outcomes have confirmed that the material topics for the Group and for its stakeholders remained the same. The topic definitions are the result of a conceptual and semantic interpretation of the analysis outcomes, aimed at achieving higher consistency with and suitability for the Group's operations and strategic directions. The topics that, in 2019, best reflected the Bank's activities and their impact are:

- Integrity in governance processes and in the business management
- Innovation of the banking model and in the relationship with Customers
- Responsible lending
- Development of entrepreneurial fabric and agri-food sector
- Proximity to customers and communities
- Work relationships and development of human resources
- Internal dialogue, welfare and equal opportunities
- Combating climate change and protecting the environment
- Value creation and capital strength

The materiality matrix expresses the weight of each topic in terms of materiality from standpoints inside and outside the Group perimeter.

2019 Materiality matrix



05

SOCIAL ASPECTS

Social aspects

MATERIALITY FOR THE BUSINESS OPERATIONS OF THE CRÉDIT AGRICOLE ITALIA BANKING GROUP

“Working every day in the interest of our customers and society”

This is the starting point of the Crédit Agricole Italia Banking Group’s mission. which, consistently with the model for doing banking business it has built over the years, places the needs of people and communities at the center and core of its commitment.

All revolves around customer satisfaction. which the Group expresses with more and more innovative services that are tailor-made thanks to listening to people. The people that can represent and tell about the needs of areas and communities where the Group wants to go beyond simply operating, but rather it wants to be acknowledged as a promoter and generator of value and relationships.

In line with its commitments, promoted activities and chosen directions, the Bank has identified the following material topics:

- Innovation in the banking model and in the relationship with Customers
- Responsible lending
- Development of entrepreneurial fabric and agri-food sector
- Proximity to customers and communities
- Value creation and capital strength

POLICIES ON THIS TOPIC

In 2019, lending policies were revised upgrading the guidelines for loan authorization to the new sector risk perimeters and implementing the new developments resulting from the revision of the Company organizational structure. The Credit Department is responsible for defining and updating the Group’s lending policies, for controlling the related process and for regularly reporting on this matter to the Board of Directors and/or to the Executive Committee. That process is performed in agreement with the General Management and with the contribution given by the Risk Management and Permanent Controls Department, by the Commercial Departments and by the Compliance Department. The policies are submitted for approval to the Boards of Directors of the Group’s Banks. On the other hand, the Commercial Departments are responsible for segmenting customers into the classes set out in the Lending Policy and for applying the related Strategy to each class.

The Group has defined five grades of lending policies for small businesses in the Retail segment and larger-size businesses in the Corporate Banking segment, based on the set purpose: growth, controlled growth, consolidation. reduction and recovery and divestment. The policies set out the sectors that feature high social and economic risk, for which precautionary strategies are deployed, and those where the Group sees opportunities for growth. Opportunities for growth not only for the Bank, but also for the areas it operates in and for which expansionary sector policies are implemented.

The Group’s operations in “attractive” economic activity sectors and in sectors featuring development “views”, as established with market analyses, are regulated with specific policies that supplement lending ones and govern operations in certain scopes, while setting the directions about regulatory compliance. They are sector-specific Lending Policies, governing operations in the agri-food, renewable energy and mortgage loans sectors, in international business, in business with the Public Administration. with companies as regards OTC derivatives and controversial sectors.

The Lending Policies for the Agri-food Sector govern financeable operations in the sector, in accordance with the “Agriculture Project”, which sets out the intended uses, duration and financeability of investment and the main types of loans.

The Lending Policy for the international business sector starts from the wider framework of lending policies, promotes the internationalization of companies that have strong export operations and a considerable portion of their revenues from foreign countries, which is evidence of higher ability to compete in the market.

A section of the Lending Policies regards “sectors under surveillance”, which require in-depth assessment of the associated social impacts and their specific management.

The Lending Policies also govern “risky” sectors, including the real estate, hospitality and building industries, which, if not regulated, entail high consumption of land. The restrictions that the Group applies to the sectors listed above reflect the limits precisely set each year in the Risk Strategy. Within the assessment and authorization of new financeable projects, such as real estate projects that are compliant with the legislation on energy saving, that use renewable sources, entail low consumption of land, have modest sizes and are located in regenerated urban settings, environmental factors are also considered, along with the usual customer creditworthiness factors.

Environmental sustainability criteria are assessment factors also for the authorization of loans for the purchase or renovation of homes, as laid down in the specific Lending Policy on mortgage loans to Individuals. In terms of access to credit, the Risk Strategy sets out specific directions to be followed in lending to Customers belonging to the weakest groups in socio-economic terms, including young couples, single parents and people with atypical work contracts, secured by the Guarantee Funds set up by the Italian Ministry for the Economy and Finance.

Lending to individuals is regulated in the Lending Policies for Individuals: Natural persons and Joint Accounts. The Regulation on Performing Loans and Loans with Early Warnings sets out the general rules for authorization and management of loans by the Banks of the Crédit Agricole Italia Group.

In order to ensure that all social and environmental requirements laid down in the commercial contracts are complied with, the Bank performs thorough controls on customers, especially in the application preliminary analysis and finalization stages, which are part of loan authorization. The development of new products and changes to products already being sold follow an authorization procedure set out in the Policy for approval of new activities and new products, which complies with IDD, Mifid II and with the Bank of Italy Provisions on Transparency. Changes to products, the start of new channels or distribution methods and the new risk profiles are assessed considering, among other things, the set target customers.

Aligning the objectives of the offered service with the customers’ features, the policy ensures that the offer of all banking, financial and insurance products is addressed to the right type of customers.

In order to strengthen its role as a customer-focused universal bank, which is close to its communities and sensitive to social matters, the Group developed “Progetto Eti.ca”, which involved various players of the Crédit Agricole Italia Group and in which specific guidelines have been set to provide streamlined procedures for loan applications submitted by entities of the third sector, i.e. the set of private entities incorporated tu pursue, on a nonprofit basis, civil, social and welfare objectives and that, in compliance with the subsidiarity principle and in accordance with their respective articles of association or deeds of incorporation. promote and implement activities in the general interest on a voluntary basis and free of charge, mutualistic activities or production and exchange of goods and services.

The proximity and closeness relationship that the Crédit Agricole Italia Banking Group maintains with the communities in which it operates is governed with the guidelines for “Organization and Management of Sponsorships”, which steer the operational activities and processes for organizing and promoting sponsorships that are expected to generate a return in terms of the Group brand image. They include cultural, sport and entertainment events. The guidelines contain principles and processes that are in force for all the Group’s entities, while respecting the independence of their respective communities.

The Crédit Agricole Italia Banking Group firmly believes that a quality relationship with Customers cannot but rely on excellent processes for complaint management.

This is why the Group governs complaint management at a central level and identifies the processes aimed at mitigating the associated risks: moreover, in compliance with the applicable external legislation. it has implemented a “Complaint Management Policy” whereby it has defined complaint as any instance in which a clearly identifiable customer expresses grievance in writing to the intermediary about any irregular behaviour or omission. as well as any dissatisfaction with banking, financial or insurance products expressed in writing.

Within the actions for mitigation of security risks affecting outsourced IT services, in 2019 the relevant processes and procedures were upgraded to be compliant with the Bank of Italy instructions and with EBA Guidelines, the Outsourcing Policy was updated and a procedure was implemented to assess, use and manage Cloud solutions.

ACTIVITIES AND OPERATING PERFORMANCE

Innovation in the banking model and in the relationship with Customers

8 DECENT WORK AND ECONOMIC GROWTH

Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour intensive sectors.

The strong commitment to accelerating the technological evolution of the services, such as remote advisory services, integrated reporting, financial communication comprised two key drivers. The first one is the **Improved Customer Journey**, also thanks to larger and larger use of the digital tools made available to private bankers, which make it easier for the bankers providing advisory services and keeping in contact with their Customers, such as tablets, Web Collaboration. remote sale, digital signature. The other is **enhanced efficiency of the account managers’ activities**, through better planning, and the support of Nowdesk, the CRM platform in order to have more time to dedicate to business and development.

In 2019, the digital channel of the Crédit Agricole Italia Banking Group was subject to the entry into force of new legislation and regulations that led to develop and integrate new processes. The main one was the **entry into force of PSD2**, the European Directive that has changed the payment world, with the main objective to create a single and integrated market for payment services, regulating digital payments, to increase the system security and to ensure transparent competition. Consumers and businesses can use alternative services to those that were previously provided exclusively by banks.

In 2019, the Group firmly established its online acquisition. The main projects can be summarized in two areas. One concerns online **acquisition and cross selling**, with:

- The launch of Crédit Agricole Online Account with new positioning expressed by the product’s quality/convenience combined with the renown of the Crédit Agricole Brand and the Security value heritage of the Group. The implemented lead generation strategic activities focused on qualitative acquisition of new customers, also thanks to intra-group synergies;
- The YOY growth of +29% in mortgage loans acquired online is evidence of the continuous development and contribution that the digital channel is giving to the Group. In an increasingly competitive market scenario and with interest rates at their all-time low, this positive trend was driven by online acquisition campaigns and by the partnerships with the main players in the digital arena;
- The extension of the range of insurance products that can be underwritten online, including MV liability, Vivi Smart Insurance, Home insurance, Accident insurance, mobile devices and payment instruments insurance.

The other area consists of **the Internet Platforms for Individuals, Small Business (SMEs) and Corporate banking customers**. The objective for 2019 was to improve user experience of the platforms and design a new single App gathering all the functions of Crédit Agricole Apps, up to the best practices in terms of User Experience and innovative vs. the market in the payment world. The main project that started in 2019 are:

- The development of the "New App Mobile", with which the Crédit Agricole Italia Banking Group intends to rank among the most innovative players in the market. The project involved the network and customers with focus groups, tests and experimenting with an agile method. The new services offered by the App include the payment contact list, past transactions for the previous 24 months, Plick - a new payment method to transfer money without IBAN but simple with a phone number, a new market area and the Account Manager new section where the customers can see the proposals made by their account managers and finalize the transactions, in a mobile collaboration mode. The project will go live in the first half of 2020;
- The development of the new access to Home Banking and User experience with a new graphic identity, technical architecture and innovative browsing in order to increase the App use and reduce calls to the Help Desk due to old troubles, such as credential recovery. This solution will go live in the first half 2020;
- The New Login project, whereby access will be easier and faster thanks to push notification and authorization with an Order-giving Pin or biometric data. The release of the new login to all customers has been scheduled for early 2020;
- The release of Strong Customer Authentication. i.e. a strong authentication system on all Individuals, SMEs and Corporate platforms, both on access and to confirm each transaction. It was considered a very critical project because of its impacts on all customers and was completed with high customer satisfaction.
- Since 14 September, subsequent to the entry into force of Payment services (PSD 2) - Directive (EU) 2015/2366, the Bank upgraded its authentication measures to protect its customers and to strengthen online payment security with the push code, a new service for confirmation of each single transaction.

In terms of processes, the Group continued on its innovation path evolving the Mortgage Loan Tool app, which was created in 2018 for integrated management of the product, with technical optimization actions and with the launch of MutuoMap, the new service to track mortgage loan applications.

MUTUOMAP is a new function of the Internet Banking App, which talks to the Mortgage Loan Tool, allowing customers to follow the progress of their mortgage loan applications step by step and at any time, directly on their smartphones. The objective was to improve customer experience, putting the customer at the center and making him or her an active player in the mortgage loan application process. Indeed, through MutuoMap the Customer can be informed in what stage his or her mortgage loan application is, what happens in that stage and the expected average time required, which gives an idea of time to yes.

In addition to displaying the various steps and the application details, MutuoMap increases the opportunities for interaction with the Bank: the customers can upload any necessary documents for the application finalization. contact their Advisors by e-mail or have the Customer Service call them back.

This function is the first ever on the market and is free of charge, can be accessed from the login page also by non-customers and was designed in order to provide a user-friendly experience, also for terminology, and an innovative one, to accompany the customer in such a delicate path as applying for a mortgage loan is.

MutuoMap was awarded by Milano Finanza "Atlante delle Banche" as the most innovative product in 2019.

In 2019, the DIGITAL FACTORY was set up and started operations, which is a lab consisting of a multifunctional team engaged in transformation and digitalization of commercial processes, with the objective of enabling multichannel distribution of banking products to customers, improving their user experience.

The first project yielded **Simple Credit**, which customers can log in to via APP or Internet banking and is intended for granting short-term loans to Retail customers; it will be released shortly. Simple Credit will allow automation of all loan authorization phases, streamlining and making the answer to the customer faster, while controlling all loan authorization phases with automatic verifications and assessments in the various progress steps.

The quality and innovation of the service provided in the Agri-food sector were further ensured with the go-live of **Agriadvisor**, the only digital tool in the Italian market, which supplements the Electronic Loan Application procedure, and summarizes financial and accounting data of farms in order to plan the financial needs that farms and agri-food businesses will face.

Furthermore, in 2019 **Fit Agri Advisor** became fully operational; it is a service in cooperation with the Parent Company **Crédit Agricole S.A.** to make a diagnostic analysis of short and medium-long term financial needs of farms and to simulate financial support hypothesis to be proposed within a tailor-made advisory service. **Agilor.Net Italia** also went live, the web platform for management of loans brokered by partners, manufacturers and dealers of agricultural machines and equipment thanks to a flexible and automated service model.

By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance

Access to credit is ensured by a proactive approach. Also in the agricultural sector, where all decision-making processes are difficult due to the fact that many counterparties do not prepare financial statements. With Agriadvisor, the Group can properly and exhaustively assess the financial specificities and needs of farmers, as well as of processors, with reciprocal interaction.

The range of loans designed for enterprises was innovated adding a new function that allows automated printing of the document set. Automation started with **FlexiBusiness and Assicuro** products and it is soon going to be extended to the other products in the catalogue, in order to streamline the account manager's activities and to mitigate operational risks.

In 2019, range of POS products was increased by launching, in cooperation with the provider Nexi, new important solutions, such as the **SmartPOS POYNT** range of products, which are new Android terminals with an innovative design (with both standard and portable versions with 4G and Wi-Fi multi-connection) accepting all physical cards and digital payments, including electronic meal vouchers. The added value of these new devices is an integrated app store that offers the shop to download many Apps for its business, including Apps for electronic invoicing management. Furthermore, the "Cash Register" version integrates the SmartPOS functions with the cash register, in order to accept digital and cash payments with one solution.

To incentivize acceptance of remote card payments, a campaign was launched for the **XPay** product, a new and innovative platform offering packages and digital activation. which is user-friendly and operational in 48 hours. XPay manages e-commerce payments from all over the world and also by e-mail, thanks to the integration with PayPal, Apple Pay, Amazon Pay, Google Pay, AliPay and WeChat Pay.

As regards Wealth Management, the **Amundi ESG Selection Funds** were launched, a range of funds managed with a flexible strategy and qualified as socially responsible. Indeed, investment decisions are based not only on financial analysis but also on non-financial analyses, which systematically consider several environmental, social and corporate governance criteria.

In addition to the ESG range, also the Thematic solutions launched in 2018 are very important, such as **CPR Invest Climate Action and CPR Invest Education**. which combine performance and sustainability approach to investing: indeed, thematic and responsible investing share a long-term vision and, consequently, the sustainable approach. Thematic management tries to identify the main structural trends that can generate long-time growth and offers, in any economic situation. sound and long-term investment solutions. In a scenario in which markets are less and less predictable, thematic investing responds to cyclical risk.

New important products are also **CA Vita Opzione Futuro, designed for Retail customers, and PRIVATE DYNAMIC STRATEGY and DYNAMIC STRATEGY HNWI**, designed for Private Banking customers. These solutions are an important step forward in the insurance supply logic: the concept of insurance investment product is left behind to go forward to the wider concept of insurance platform for asset management. A single interface to manage all possible scopes of needs.

Crédit Agricole Leasing Italia started operations in the **vendor leasing** new distribution channel, in addition to the traditional distribution through the banking channel: the vendor channel accounts for 32%(*) of the Italian leasing market and opened new cross-selling scenario. Furthermore, the range of products was extended with equipment operating leases, which depend less on tax incentives and are more suitable to meet the new needs of customers that are increasingly NOwnership and pay-per-use oriented. A more advanced business model, including IT innovations, in the scope of the wider1 00% Crédit Agricole industrialization and digitalization project.

In the reporting year, **Cyber Security** governance and processes were strengthened, implementing new technological solutions. Specifically, innovation concerned some topics of the CARS (Crédit Agricole Security Strengthening) project in the following scopes:

- Communication and training;
- Control of strategic systems;
- Strengthening of production defences;
- Incident detection;
- Protection of sensitive data.

The process for continuous improvement in the security levels concerned also electronic payments, with new technological solutions for the Group's **Internet banking, Mobile Banking** and **Corporate Banking** platforms, which strengthened access to the service and integrated important functions for the digitalization of banking services.

In June 2019, Crédit Agricole obtained a distinctive ranking in the study "The best banks for mortgage loans in 2019", carried out by the *Institut für Vermögensaufbau* (IVA, a quality assessment independent corporation), which investigated, based on a representative survey, customer satisfaction with their bank for mortgage loans and compared fixed and floating rates, both present and historical .

Crédit Agricole received the "TOP"[1] score for Good Value of its conditions for fixed-rate mortgage loans and for Satisfaction of Customers of multichannel Banks with branches, which is broken down below:

Product offer ☆ ☆ ☆ ☆ ☆ TOP score

Customer Care ☆ ☆ ☆ ☆ ☆ TOP score

Digital mortgage loans ☆ ☆ ☆ ☆ EXCELLENT[2] score

Flexibility ☆ ☆ ☆ ☆ ☆ TOP score

1 TOP:score higher than the sample average
2 EXCELLENT:score higher than the average of TOP banks

(*) source: Assilea, Analysis on underwritten leases in December 2019

The Group manages complaints centrally and has defined processes for effective mitigation of the associated risks. The channels through which customers can lodge complaints are e-mail, both regular e-mail certified e-mail and the form on the Group's website or with hand delivery to one of the agencies, which shall promptly forward it to the Complaints Service. The Complaints Service puts the complaints on file in a specific database, which is designed to ensure proper management and monitoring. The customer that lodged the complaint is informed with a preliminary letter, which also sets forth the time-to-response.

The Complaints Service, cooperation with the different corporate structures that may contribute in giving exhaustive response, processes the complaint and, if it is upheld, communicates also of the implemented actions. The set time to response to complaints is15 days of receipt, for complaints regarding payment services in the internal market (Directive (EU) 2015/2366, the so-called PSD2); 30 days of receipt for complaints regarding banking transactions and services; 60 days of receipt for complaints concerning investment activities and services and/or ancillary services thereto; 45 days of receipt, for the aspects regarding the Bank, for complaints on insurance products distributed by the Bank.

If they receive no reply or if the reply is not exhaustive, Customers may file a petition with the Banking and Financial Ombudsman (Italian acronym: ABF) or with the Financial Ombudsman Service (ACF) in case of disputes regarding investment services. Furthermore, Customers may lodge a complaint with the competent Supervisory Authority (Bank of Italy, CONSOB or IVASS) to report any conduct of the intermediary deemed not compliant. The Complaints Service is responsible also for managing and responding to these complaints.

In 2019, the Complaints Service further improved its complaint registration and monitoring methods to increase efficiency and started a project for sharing an information flow containing any anomalies and issues found while processing complaints and grievances with the relevant structures of the Group, in order to improve products, services and processes, as well as to maximize customer satisfaction.

In early 2019, an anomaly occurred consisting in the wrong application of the set conditions and, therefore, in the wrong settlement, as at 31 December 2018, of some online current accounts migrated from the former Cassa di Risparmio di San Miniato. Thanks to prompt action taken by the Complaints Service, an interfunctional Work Group was set up and solved the anomaly, corrected the wrong conditions and settlements and paid back the amounts not due to the customers.

Starting in April 2019, subsequent to the publication of some decisions on instances filed in 2017 by shareholders of the former Cassa di Risparmio di Cesena with the Financial Ombudsman Service (ACF), some trade associations collected grievances from many shareholders that agreed to lodge complaints first and then petitions with the CF, regarding shares issued by the former Cassa di Risparmio di Cesena and by the former Cassa di Risparmio di Rimini, which, in 2018, were both merged by absorption in the then Crédit Agricole Cariparma through the "Fellini Banks" project. In 2019, this entailed receipt and management by the Complaints Service of 948 complaints and 10 petitions filed with the ACF.

Also in this case, the Crédit Agricole Italia Banking Group set up an interfunctional Work Group with the objective of finding a fair composition between the Bank and the former shareholders of the absorbed banks.

Complaints (*) (417-2)		2019	2018	2017
By type				
Credit/debit cards	n.	173	167	174
	%	4%	6%	8%
Securities	n.	1,091	226	150
	%	28%	8%	7%
Loans	n.	141	126	156
	%	4%	5%	8%
Mortgage loans	n.	238	254	295
	%	6%	9%	14%
Current accounts/Deposits	n.	750	1,169	774
	%	19%	43%	37%
Insured products	n.	124	67	114
	%	3%	2%	5%
Salaries/Pensions	n.	1	1	0
	%	0%	0%	0%
Privacy (GRI 418-1)	n.	36	4	0
	%	1%	0%	0%
of which filed by third parties	n.	36	4	n.a.
of which regulators	n.	0	0	n.a.
Other	n.	1,359	701	417
	%	35%	26%	20%
Total complaints	n.	3,913	2,715	2,080
By reason				
Processing of transactions	n.	1,280	1,368	1,088
	%	33%	50%	52%
Communications and information to Customers	n.	1,333	193	106
	%	34%	7%	5%
Terms and conditions applied	n.	453	294	225
	%	12%	11%	11%
Frauds and misplacement	n.	152	183	156
	%	4%	7%	8%
Other	n.	695	677	505
	%	18%	25%	24%
Total	n.	3,913	2,715	2,080
Complaints that resulted in a fine or monetary penalty	n.	0	0	n.a.
Complaints that resulted in an admonition	n.	0	0	n.a.
Complaints for non-compliance with voluntary codes	n.	0	0	n.a.
Total substantiated complaints concerning breaches of customer privacy and losses of customer data (GRI 418-1)	n.	1	n.a.	n.a.

(*) The number of complaints does not include disputes started by customers and by bankruptcy procedure bodies managed by the Bad Loans Service as they are not indicative of the quality of the service provided. The 2018 data do not include the complaints (573) filed against the Fellini Banks before their IT migration.

Incidents of non-compliance complained against the organization through national and international litigation settlement systems (419-1)		2019	2018	2017
Total incidents	**n.**	**311**	**162**	**99**
Of which negotiation	n.	19	0	n.a.
Of which mediation	n.	182	15	n.a.
Of which arbitration	n.	110	147	99

Litigation with Customers (419-1)		2019	2018	2017
Litigation with Customers	n.	1,394	1,373	1,208
Monetary value of litigation with Customers	€	235,636,436	309,172,338	127,214,187
Bankruptcy litigation	n.	29	35	43
Monetary value of bankruptcy litigation	€	30,795,000	32,005,359	28,559,084

In 2019, training and awareness-increasing actions for the personnel were intensified on privacy and on the importance of the protection of the Group's considerable wealth of information consisting of its stakeholders' personal data. Some training on privacy was also provided within some contributions to university programmes, which, in 2020, will be extended also to secondary schools.

Customer satisfaction

The market scenario gives evidence that Customers' expectations change over time, driven by constant improvement in Customer Experience. Consequently, Customers become more demanding towards all purchasing and interaction experiences.

The Crédit Agricole Italia Banking Group is committed to offering services and models that are increasingly Customer-centric and focused on the maximum possible satisfaction and, at the same time, to spread more and more its **Customer Culture** within the Group. With this commitment in mind, in October 2019 a new Business Unit was set up dedicated to Customer Satisfaction, with the objective of listening to Customers, identifying the main causes for irritation and developing action plans aimed at solving them, calling to action all the structures of the Group, with constant engagement in order to achieve both relational and operational excellence.

In this scenario, **listening to Customer is essential**: recognizing the value of our Customers' voice and analyzing their inputs in all interactions with the Bank allows us to identify problems without delay and to start structural actions for their resolution.

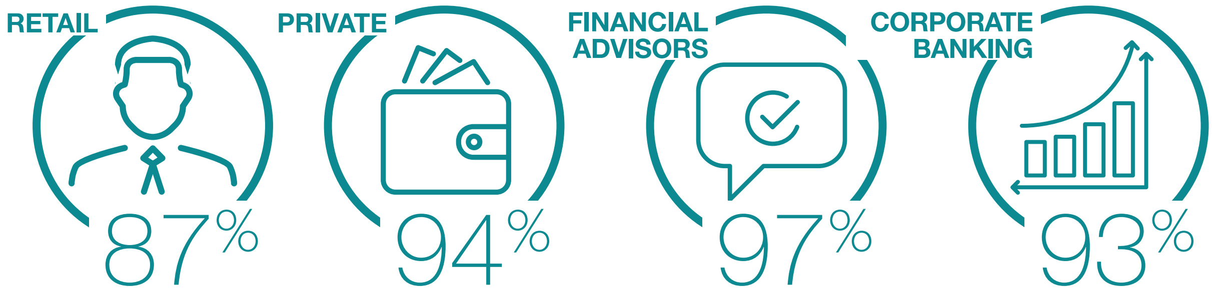
In the Crédit Agricole Italia Banking Group, Customer satisfaction is measured with a survey programme involving a sample of Customers belonging to the Retail Banking, Corporate Banking, Private Banking and Financial Advisors market segments. The survey is carried out by the market survey specialist company Doxa, which regularly reports the scores of Customer satisfaction with the Group.

The surveys are structured in order to give a wide-ranging view on the Customer satisfaction levels, investigating different aspects of their relationship with the Bank. The questionnaires used are different according to the Channel and structured on a scale from 0 to 10, where 0 means "not satisfied at all" and 10 "extremely satisfied". The Group's ambition is to rank at the highest scores in the scale (for example 9 and 10). The Group uses the Customer satisfaction scores obtained to design programmes for the improvement of processes, products, services and, in general, its relationship with Customers.

In 2019 the interviews were carried out by phone for the Private Banking, Corporate Banking (600 interviews each) and Financial Advisors (602 interviews); for the Retail Banking channel, the interviews were carried out both by phone and by e-mail (for a total of 59,615 interviews).

For 2019, the Customers from the merged Savings Banks of San Miniato, Cesena and Rimini were also included in the interviews.

SATISFIED CUSTOMERS 2019



% of satisfied Customers			2019	2018*
Retail Banking Customers	TOTAL	%	87%	87%
	Long-standing customers	%	89%	88%
	Customers of the acquired banks	%	80%	77%
Private Banking Customers	TOTAL	%	94%	91%
Customers of Financial Advisors	TOTAL	%	97%	97%
Corporate Banking Customers	TOTAL	%	93%	89%

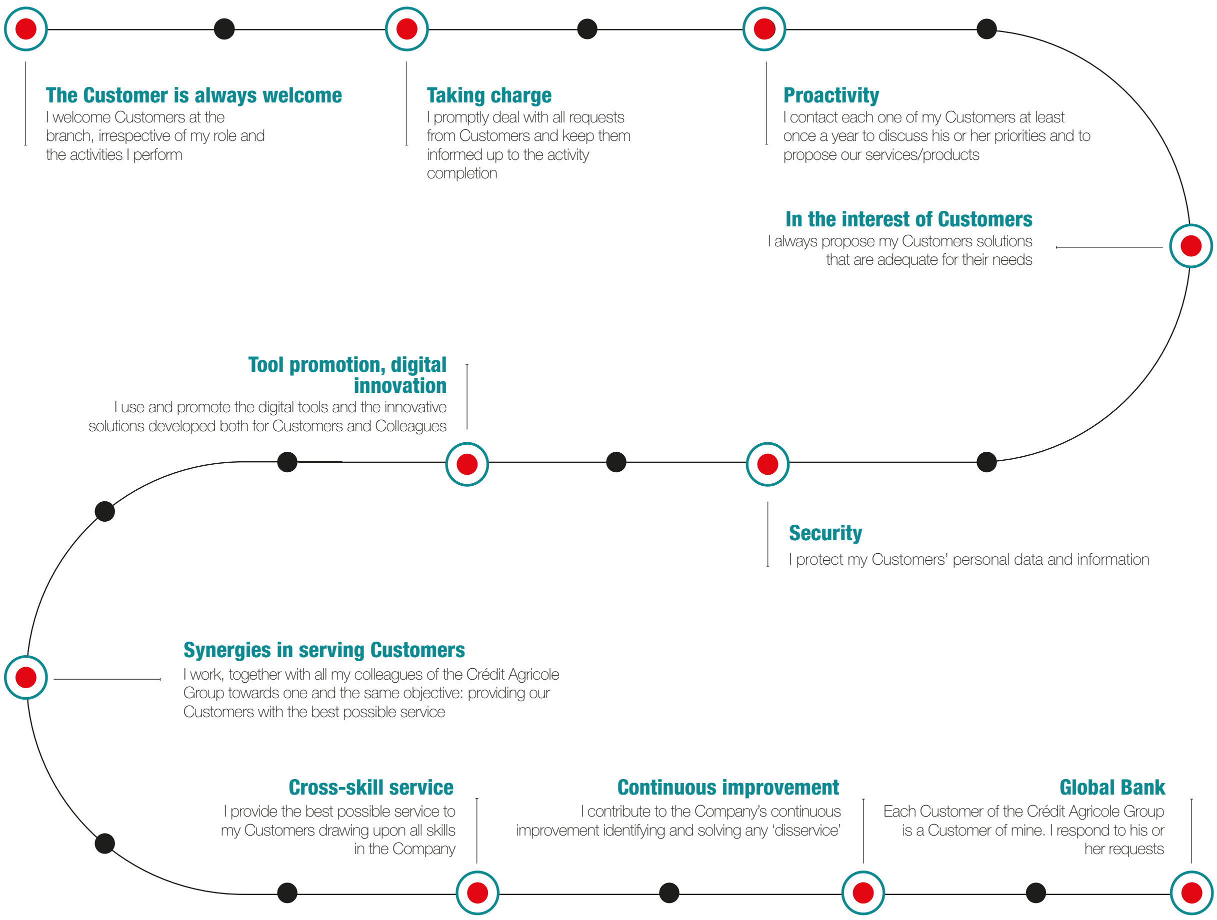
(*) To be compared with the 2019 figures, the 2018 measurement have been calculated proforma on the customer base composition with the after-merger inclusion of the Customers of the acquired banks (former San Miniato, Cesena and Rimini Savings banks

In the year, a new tool to listen to the Customers' voice went live: Instant Feedbacks. With this tool, feedbacks from Customers can be collected in real time, immediately after specific interactions with the Bank, in order to analyze the Customers experience on the spot and process efficiency.

The Customer Satisfaction projects started in 2019 are based on three pillars:

- Change Management: a structured plan Form with specific contents in terms of Training and Communication on Customer centrality topics and on key processes
- Action plan against the main «Irritants», i.e. problems with high impacts on Customer satisfaction levels
- Behaviour Models at Branches, in order to provide our Customers with the best possible experience, in terms of both relationship and operational efficiency.

10 concrete commitments substantiating our focus on Customers



Responsible lending

By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance

The Group has chosen to operate in the communities playing an "**enabler**" role:, as it is fully aware that the growth of any community is determined by the economic-financial and entrepreneurial capabilities of the players in the area, the Bank has placed **access to credit and services at the core of its strategy**. New operational tools, process devices and solutions that are tailor made on the Customers' requirements have been implemented in the Group's offer as the outcome of a path that led to the banking model innovation. This aims at **making access to services easier**, with the services that are available everywhere and at any time, thanks to multichannel solutions, in addition to the widening of the bankable population.

Microcredito Sociale (Social Microcredit) is the initiative that, since 2013, has been supporting the La Spezia community in meeting unexpected expenses with a fixed-rate loan at subsidized terms with no bank fees and commissions. This initiate is intended for individuals or households that live in poverty or have low income-earning capacity or are in marginalized conditions and that are residing, domiciled or work in the Province of La Spezia.

Crédit Agricole continued throughout 2019 to cooperate with **Associazione di Promozione Sociale Ricrediti** to foster access to credit by households in difficult financial conditions and to support the start of new business ventures, helping young people in entering the work arena.

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

In 2019, the Group continued its membership in the **Fondo di Garanzia Prima Casa**, a fund whereby up to 95% of a home purchase price can be financed.

In 2019 Crédit Agricole Leasing Italia succeeded in fully exploiting the opportunities resulting from the Italian Government measure on **Capital equipment** (the so-called “Nuova Sabatini” Law) providing subsidies to enterprises by the Italian Ministry of Economic Development (MISE). The measure provided subsidies to investments for the purchase or lease of machinery, equipment, plants, capital goods to be used in production, as well as of hardware, software and digital technologies, (the so-called Industry 4.0.).

Thank to these subsidies, in 2019, CALIT signed 521 new contracts for a total amount of Euro 115.7 Mln (up by +14% YOY), of which about Euro 46.8 Mln for Industry 4.0 loans. In terms of numbers, 783 contracts were signed (up by +3% YOY).

For Wealth Management, 2019 was rich in new products with sustainability features, also with the start and implementation of strategic projects linked to changes in the market and to the application of MiFID II and IDD.

Sustainability was a core topic for Wealth Management, which worked to combine financial objectives with investment sustainability: responsible investing is an investment strategy aimed at generating value that is at the same time financial and sustainable. In defining investable universe, the management team systematically applies the principles for exclusion of issuers, on a legal and sector basis, in order to select only those that are deemed more consistent with ESG principles. Investments are selected through the Group’s asset managers.

Environment, Social and Governance are the three standards adopted to assess and analyze securities in order to build a sustainable and responsible investment portfolio. Furthermore, in 2019, several operating procedures were released regarding MiFID II, including ex-post reporting as required by the Directive. Portfolio reports were sent to the Customers in July, in line with the main competitors.

Percentage of the portfolio for business lines I(*) (G4 - FS6)		2019	2018	2017
Corporate	Loans (mln €)	5,404	3,736	2,663
	Funding (mln €)	4,089	3,815	4,830
	Indirect funding (mln €)	1,727	1,218	856
SMEs:	Loans (mln €)	13,687	15,223	12,878
	Funding (mln €)	9,358	9,150	7,556
	Indirect funding (mln €)	1,578	1,694	1,405
Individuals	Loans (mln €)	21,005	19,951	17,291
	Funding (mln €)	27,583	27,618	23,106
	Indirect funding (mln €)	44,241	41,015	35,436
Big Dossier(**)	Loans (mln €)	5,882	6,292	5,133
	Funding (mln €)	767	1,071	1,930
	Indirect funding (mln €)	22,482	18,911	20,436
Total	Loans (mln €)	45,978	45,203	37,964
	Funding (mln €)	41,797	41,653	37,422
	Indirect funding (mln €)	70,027	62,838	58,134

(*) The volume figures regarding direct and indirect funding are not consistent with the same figures in the Financial Statements for the year of the Crédit Agricole Italia Banking Group because of the different classification methods used by the Group for management and accounting purposes respectively

(**) The Big Dossier channel represents the volumes of counterparties that cannot be included in ordinary customers; specifically it reports counterparties such as come Agos, Crédit Agricole Leasing Italia, Amundi, Cavita, Leasys

Public Sector Bodies		2019	2018	2017
Municipalities	n.	215	215	193
Regions and Provinces	n.	2	3	3
NHS agencies	n.	3	3	4
Schools	n.	555	516	435
Universities	n.	3	2	1
Consortia	n.	53	53	46
Association of mountain communities	n.	6	6	7
A.S.P./IPAB	n.	46	45	44
Various public sector bodies	n.	123	129	120
Total	**n.**	**1,006**	**972**	**853**

Individuals (G4 - FS6)		2019	2018	2017
By segment				
Households	n.	1,414,433	1,420,002	1,191,977
	Loans (mln €)	18,744	17,913	15,617
	Funding (mln €)	10,307	10,410	8,555
	Indirect funding (mln €)	3,081	3,377	2,763
Affluent	n.	419,666	404,844	340,362
	Loans (mln €)	1,822	1,642	1,344
	Funding (mln €)	13,870	13,815	12,058
	Indirect funding (mln €)	27,622	25,452	22,637
Private Banking	n.	31,096	29,840	24,719
	Loans (mln €)	439	396	330
	Funding (mln €)	3,406	3,393	2,493
	Indirect funding (mln €)	13,538	12,186	10,036
Total	n.	1,865,195	1,854,686	1,557,058
	Loans (mln €)	21,005	19,951	17,291
	Funding (mln €)	27,583	27,618	23,106
	Indirect funding (mln €)	44,241	41,015	35,436

Corporate Customers (SMEs+ Corporate channel) (G4 - FS6)		2019	2018	2017
By segment				
Large Corporate	n.	3,114	1,558	1,364
	Loans (mln €)	5,404	3,736	2,663
	Funding (mln €)	4,089	3,815	4,830
	Indirect funding (mln €)	1,727	1,218	856
SMEs and Mid Corporate	n.	12,129	13,607	11,016
	Loans (mln €)	6,872	7,954	7,078
	Funding (mln €)	2,970	2,809	2,325
	Indirect funding (mln €)	585	587	485
Small Business	n.	216,423	220,501	180,503
	Loans (mln €)	6,815	7,270	5,801
	Funding (mln €)	6,388	6,340	5,231
	Indirect funding (mln €)	993	1,108	920
Total	n.	231,666	235,666	192,883
	Loans (mln €)	19,091	18,960	15,541
	Funding (mln €)	13,447	12,965	12,386
	Indirect funding (mln €)	3,304	2,912	2,262

Individuals by geographical area (G4 - FS6)(*)		2019	2018	2017
Emilia-Romagna	n. of customers	546,302	551,975	374,942
	Loans (mln €)	3,852	3,674	2,692
	Funding (mln €)	8,707	8,847	5,807
	Indirect funding (mln €)	14,713	13,616	9,938
Lombardy	n. of customers	350,388	343,896	335,886
	Loans (mln €)	5,102	4,893	4,595
	Funding (mln €)	5,524	5,623	5,544
	Indirect funding (mln €)	9,884	9,103	8,872
Veneto	n. of customers	155,381	147,823	139,097
	Loans (mln €)	2,241	2,082	1,893
	Funding (mln €)	2,081	1,906	1,870
	Indirect funding (mln €)	3,034	2,734	2,779
Campania	n. of customers	133,388	133,511	137,022
	Loans (mln €)	1,374	1,313	1,275
	Funding (mln €)	2,024	1,963	1,999
	Indirect funding (mln €)	2,088	1,994	2,012
Friuli-Venezia Giulia	n. of customers	158,377	158,090	156,934
	Loans (mln €)	1,213	1,158	1,119
	Funding (mln €)	2,153	2,155	2,105
	Indirect funding (mln €)	3,648	3,516	3,525
Lazio	n. of customers	71,574	71,694	63,839
	Loans (mln €)	1,470	1,402	1,203
	Funding (mln €)	1,251	1,221	1,077
	Indirect funding (mln €)	1,363	1,290	1,236
Liguria	n. of customers	138,188	139,884	135,397
	Loans (mln €)	1,325	1,265	1,190
	Funding (mln €)	1,767	1,772	1,829
	Indirect funding (mln €)	3,028	2,796	2,663
Piedmont	n. of customers	118,525	115,485	116,967
	Loans (mln €)	2,187	2,026	1,892
	Funding (mln €)	1,500	1,521	1,603
	Indirect funding (mln €)	3,049	2,830	2,825
Tuscany	n. of customers	173,275	172,020	90,626
	Loans (mln €)	2,034	1,956	1,357
	Funding (mln €)	2,342	2,375	1,205
	Indirect funding (mln €)	3,172	2,893	1,479
Umbria	n. of customers	11,019	11,202	6,348
	Loans (mln €)	127	119	75
	Funding (mln €)	129	132	69
	Indirect funding (mln €)	149	140	107
Total	n. of customers	1,865,195	1,854,686	1,557,058
	Loans (mln €)	21,005	19,951	17,291
	Funding (mln €)	27,583	27,618	23,106
	Indirect funding (mln €)	44,241	41,015	35,436

(*) The breakdown is based on the location of the relevant branch

Individuals (Households, Affluent, Private banking) (G4 - FS6)		2019	2018	2017
By age group				
0-20 years	n.	75,432	84,269	72,896
21-30 years	n.	147,154	151,258	130,640
31-40 years	n.	229,598	235,568	215,861
41-55 years	n.	509,186	521,677	451,748
56-65 years	n.	312,077	295,809	238,782
> 65 years	n.	513,316	487,780	387,506
Customers in the Individuals segment who are not natural persons	n.	31,156	32,647	26,542
Total	n.	1,817,918	1,809,008	1,523,975
By relationship duration				
< 1 year	n.	97,237	100,032	n.a.
1-3 years	n.	267,697	183,600	n.a.
4-5 years	n.	143,126	152,793	n.a.
6-10 years	n.	266,391	281,137	n.a.
11-20 years	n.	363,181	377,569	n.a.
> 20 years	n.	680,286	698,658	n.a.
n.a.	n.	-	15,219	n.a.
Total	n.	1,817,918	1,809,008	1,523,975

Corporate Customers by geographical area (G4 - FS6)		2019	2018	2017
Emilia-Romagna	Number of customers	68,569	71,609	47,887
	Loans (mln €)	5,923	5,863	4,206
	Funding (mln €)	3,196	2,961	2,164
	Indirect funding (mln €)	1,409	1,112	1,122
Lombardy	Number of customers	38,116	38,047	40,274
	Loans (mln €)	4,408	4,323	3,619
	Funding (mln €)	3,263	3,109	3,210
	Indirect funding (mln €)	371	313	292
Veneto	Number of customers	18,098	18,335	17,911
	Loans (mln €)	2,343	2,321	2,193
	Funding (mln €)	1,156	1,186	1,468
	Indirect funding (mln €)	188	180	189
Campania	Number of customers	19,697	19,216	19,708
	Loans (mln €)	569	520	572
	Funding (mln €)	698	699	918
	Indirect funding (mln €)	37	34	35
Friuli-Venezia Giulia	Number of customers	17,100	17,643	17,531
	Loans (mln €)	1,347	1,430	1,485
	Funding (mln €)	1,289	1,299	1,308
	Indirect funding (mln €)	327	353	268
Lazio	Number of customers	10,205	10,296	8,641
	Loans (mln €)	978	908	872
	Funding (mln €)	1,291	1,133	1,090
	Indirect funding (mln €)	34	40	35
Liguria	Number of customers	11,472	11,619	11,266
	Loans (mln €)	733	867	821
	Funding (mln €)	465	566	649
	Indirect funding (mln €)	123	119	107
Piedmont	Number of customers	13,936	13,717	14,156
	Loans (mln €)	944	869	737
	Funding (mln €)	1,124	1,022	995
	Indirect funding (mln €)	158	226	77
Tuscany	Number of customers	29,072	29,454	14,179
	Loans (mln €)	1,593	1,613	947
	Funding (mln €)	827	856	531
	Indirect funding (mln €)	637	515	130
Umbria	Number of customers	2,697	2,854	1,330
	Loans (mln €)	144	142	88
	Funding (mln €)	76	69	53
	Indirect funding (mln €)	14	14	7
Total	Number of customers	231,666	235,666	192,883
	Loans (mln €)	19,091	18,960	15,541
	Funding (mln €)	13,447	12,965	12,386
	Indirect funding (mln €)	3,304	2,912	2,262

Leases (G4 - FS6)		2019	2018	2017
Equipment leases				
Portfolio	K€	781,948	676,471	593,755
Amount financed	K€	395,216	363,644	312,482
Operating leases				
Portfolio	K€	113	-	-
Amount financed	K€	176	-	-
Motor-vehicle leases				
Portfolio	K€	158,780	153,548	149,820
Amount financed	K€	80,108	77,799	80,121
Real estate leases				
Portfolio	K€	810,007	846,074	872,911
Amount financed	K€	128,118	115,232	86,243
Boat leases				
Portfolio	K€	55,898	57,870	56,993
Amount financed	K€	28,690	39,437	42,734

Energy leases (G4 - FS8)		2019	2018	2017
Portfolio				
Wind farms	K€	34,365	36,149	33,904
Biomass plants	K€	9,747	9,439	10,612
Cogeneration plants	K€	5,687	4,549	6,799
Photovoltaic plants	K€	113,554	128,800	150,573
Hydroelectric power plants	K€	64,780	68,818	68,421
% over total loans				
Wind farms	%	1.69%	1.82%	1.74%
Biomass plants	%	0.48%	0.48%	0.55%
Cogeneration plants	%	0.28%	0.23%	0.35%
Photovoltaic plants	%	5.58%	6.50%	7.75%
hydroelectric power plants	%	3.18%	3.47%	3.52%
Amount financed				
Wind farms	K€	70	3,004	9,463
Biomass plants	K€	1,100	23,455	1,929
Cogeneration plants	K€	1,470	3,106	520
Photovoltaic plants	K€	3,174	160	145
Hydroelectric power plants	K€	228	11,488	8,000
Number of projects financed				
Wind farms	n.	-	11	5
Biomass plants	n.	2	3	5
Cogeneration plants	n.	1	1	1
Photovoltaic plants	n.	4	2	3
Hydroelectric power plants	n.	1	3	2

Lease customers by geographical area (G4 - FS6)		2019	2018	2017
Portfolio				
Lombardy	K€	566,221	534,229	515,059
Piedmont	K€	162,018	155,398	149,675
Valle D'Aosta	K€	10,754	13,182	12,079
Liguria	K€	76,693	81,107	84,743
Total Northwest Italy	K€	815,686	783,916	761,557
Veneto	K€	224,015	221,026	194,521
Trentino Alto Adige	K€	33,278	37,056	37,604
Friuli Venezia Giulia	K€	96,857	106,000	101,368
Emilia-Romagna Region	K€	456,049	444,576	445,280
Total Northeast Italy	K€	810,199	808,657	778,772
Tuscany	K€	117,599	115,257	124,362
Umbria	K€	10,994	11,447	12,293
Marche	K€	13,187	25,480	21,473
Abruzzo	K€	6,883	5,591	5,517
Lazio	K€	120,322	115,591	119,118
Total Central Italy	K€	268,984	273,366	282,763
Molise	K€	4,758	5,786	7,024
Campania	K€	102,410	82,523	81,139
Calabria	K€	186	213	125
Basilicata	K€	4,241	5,009	4,368
Puglia	K€	3,418	3,338	6,584
Sicily	K€	4,451	4,665	7,477
Sardinia	K€	11,202	11,431	11,919
Total South Italy and Insular Italy	K€	130,666	112,965	118,636
Total Italy	K€	2,025,536	1,978,904	1,941,729
Abroad	K€	9,343	2,815	2,059
Total portfolio	K€	2,034,879	1,981,718	1,943,787
Amount financed				
Lombardy	K€	162,186	154,880	128,336
Piedmont	K€	37,635	67,965	44,096
Valle D'Aosta	K€	2,820	1,498	5,000
Liguria	K€	17,338	20,124	21,988
Total Northwest Italy	K€	219,978	244,466	199,420
Veneto	K€	96,350	83,721	88,875
Trentino Alto Adige	K€	908	5,192	2,867
Friuli Venezia Giulia	K€	25,194	40,099	33,755
Emilia-Romagna Region	K€	175,445	120,436	121,675
Total Northeast Italy	K€	297,897	249,447	247,172
Tuscany	K€	36,986	32,094	36,164
Umbria	K€	2,921	5,864	4,336
Marche	K€	6,567	1,944	5,879
Abruzzo	K€	3,206	657	2,052
Lazio	K€	29,016	29,750	18,183
Total Central Italy	K€	78,695	70,307	66,614

Lease customers by geographical area (G4 - FS6)		2019	2018	2017
Molise	K€	17	144	725
Campania	K€	34,635	38,886	26,429
Calabria	K€	0	160	133
Basilicata	K€	885	2,791	19
Puglia	K€	334	774	263
Sicily	K€	67	1,250	681
Sardinia	K€	1,646	148	182
Southern Italy and Islands Total	K€	37,584	44,153	28,431
Total Italy	K€	634,153	608,374	541,637
Abroad	K€	4,196	28,950	0
Total amount financed	K€	638,350	637,324	541,637
Number of Customers (Portfolio)				
Lombardy	n.	2,148	2,100	1,998
Piedmont	n.	847	848	752
Valle D'Aosta	n.	5	4	2
Liguria	n.	478	507	508
Total Northwest Italy	n.	3,478	3,459	3,260
Veneto	n.	1,003	958	883
Trentino Alto Adige	n.	58	66	68
Friuli Venezia Giulia	n.	849	853	825
Emilia-Romagna Region	n.	2,029	1,871	1,756
Total Northeast Italy	n.	3,939	3,748	3,532
Tuscany	n.	766	676	655
Umbria	n.	82	74	60
Marche	n.	68	40	38
Abruzzo	n.	30	29	27
Lazio	n.	419	414	406
Total Central Italy	n.	1,365	1,233	1,186
Molise	n.	9	11	10
Campania	n.	639	632	603
Calabria	n.	8	9	7
Basilicata	n.	9	8	8
Puglia	n.	21	20	20
Sicily	n.	13	16	18
Sardinia	n.	16	14	12
Total South Italy and Insular Italy	n.	715	710	678
Total Italy	n.	9,497	9,150	8,656
Abroad	n.	7	4	2
Total number of Customers	n.	9,504	9,154	8,658

In 2019, the value of Retail products designed to deliver a specific social benefit over the total value of Retail products had a 2% weight, while the value of products designed to deliver a specific social benefit intended for corporate customers had a weight of 13.6%.

Development of entrepreneurial fabric and agri-food sector

Crédit Agricole Italia wants to be a driver of the growth of its customer businesses, at all stages and with a dynamic and innovative approach. The Corporate Banking channel stands by companies as a reference point, not only for financial matters, but also in searching, together with its Customers, new opportunities for development, providing them with tailor-made advisory services, based on model of long-standing relationship and reciprocal synergy.

Crédit Agricole Italia wants to promote the competitiveness of local businesses enhancing the ***made in Italy*** concept and contributing to **higher development in the entrepreneurial fabric with a sustainability-oriented approach**. Based on this logic, in 2019 projects were started in cooperation with some local and national partners, and several meetings were held with Trade Associations, in order to respond to the requests made by communities and businesses.

In 2019, the Group started several projects for its corporate customers: among them, the Bank promoted access to credit by SMEs through the **Fondo di Garanzia Centrale**, a fund backing SMEs loans, which, being guarantees, are low risk. The Group signed an agreement with the European Investment Bank (EIB) providing for an allocation of Euro 115 million intended for SMEs and Large-Corporate customers, intended to support investments in property, plant and equipment and intangibles, and to finance the working capital of SMEs and Mid-caps; furthermore, the agreement with the European Investment Fund (EIF) was renewed, which ensures higher access to credit by innovative businesses, with allocation of Euro 150 million. With its "**Pre-authorized**" initiative, which is intended for Mid-corporate customers, the Bank aims at shortening the time for loan authorization. In 2019, the initiative reached approximately 150 companies for a total value of over Euro 193 million.

Again in 2019, as in the previous years, the Group supported initiatives in favour of companies hit by natural disasters in order to help and foster recovery of their productive activities.

Loans to/Funding from Corporate Customers by sector (G4 - FS6)		2019	2018	2017
Agriculture, forestry and fishery	Loans (mln €)	2,395	2,293	2,017
	Funding (mln €)	619	619	506
	Indirect funding (mln €)	64	82	68
Trade	Loans (mln €)	2,367	2,518	1,962
	Funding (mln €)	1,389	1,666	1,318
	Indirect funding (mln €)	454	504	193
Construction and real estate	Loans (mln €)	2,077	2,298	2,085
	Funding (mln €)	1,317	1,119	1,018
	Indirect funding (mln €)	269	218	118
Manufacturing	Loans (mln €)	5,509	5,308	4,536
	Funding (mln €)	2,607	2,414	2,127
	Indirect funding (mln €)	692	787	715
Services	Loans (mln €)	5,095	5,078	3,547
	Funding (mln €)	3,665	3,592	3,908
	Indirect funding (mln €)	788	612	417
Other sectors	Loans (mln €)	1,650	1,466	1,394
	Funding (mln €)	3,850	3,555	3,510
	Indirect funding (mln €)	1,037	709	750
Total	Loans (mln €)	19,091	18,960	15,541
	Funding (mln €)	13,447	12,965	12,386
	Indirect funding (mln €)	3,304	2,912	2,262

In 2019, an agreement was signed with CDi Manager, to support SMEs that want to improve their competitiveness and efficiency, to ensure growth in managerial capabilities and digital transformation of SMEs.

A focus of attention was also *Circular Economy*: the Group allocated an amount of Euro 100 million intended to support the growth of enterprises that stand out in terms of green investments and circular economy.

Also in 2019, thanks to the "**Capital equipment allocation**", the financial needs of enterprises were met, supporting them in increasing the competitiveness of their productive system and in making new investments, with assistance provided in order for the customers to obtain state subsidies for the purchase of capital equipment.

Thanks to specialist advisory services and to the **International Desk** that provides assistance to foreign companies in Italy, the Group has substantiated its commitment to supporting exports and to the internationalization of enterprises. On top of this, worth mentioning is the partnership with Altios, a highly qualified player specializing in services to companies that want to enter international markets; thanks to this partnership, services for international development can be provided to the Group's Customers, starting with analyses of the target market, all the way to setting up and managing local establishments.

In the year, specific initiatives were also organized in local communities: one wroth specific mentioning is the internationalization workshops with Altios, "Coffee with Firms", and the initiatives with Epic, involving Customers for retention purposes and to share key topics, such as the management of financial risks, internationalization, leases, liquidity management solutions, generational turnover and complementary financing.

Strengthen the capacity of domestic financial institutions to encourage and to expand access to banking, insurance and financial services for all.

Evidence of this is given by the Group's ongoing cooperation with leading Confidi (Italian mutual loan-guarantee consortia), in order to support the growth and development of local businesses making access to credit easier for them.

Specifically, i**n the year, Crédit Agricole FriulAdria substantiated its closeness to Customer and local enterprises** supporting Trade Associations, including Consorzio del Tarvisiano, F.I.A.I.P. Friuli Venezia Giulia (Italian Federation of Real Estate Agents), Pordenone Association of Craft Trade and Micro and Small Enterprises and the Employers Association of Verona.

Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

The Group's social commitment materializes also with its participation in the **ABI - CDP Agreement on "Funds allocated for Natural Disasters"** and with Crédit Agricole Italia contributing to the "**Funds allocated for the Earthquake in Central Italy**".

In 2019, contributions for over Euro 6.9 mln were given to support households and businesses hit by adverse events, in order to help them with their financial commitments already underway and allow them to face difficulties with more serenity.

To provide concrete help to the Italian areas hit by natural disasters in 2019, Crédit Agricole Leasing Italia, in agreement with the Group, contributed to several actions in favour of affected enterprises. Holders of finance leases and owners of businesses, with a self-certification of the damage suffered, could obtain the suspension of the entire lease instalment or of the principal portion of the lease instalment.

In June the actions regarded the provinces of Brescia, Lecco and Sondrio and, in December, the city of Venice and the Tuscany Region.

In 2019, Crédit Agricole continued its activities for the creation and distribution of products and services designed to deliver a specific social benefit, with the "**Eti.ca**" range, which is dedicated to the Third Sector and structured as a value proposal for Association and Nonprofit Associations, as well as for all individuals that intend to support the works of Voluntary Organizations.

Dedicated products are available for these Customers: current accounts, home loans, loans and payment cards that can be customized with the Association logo.

5 GENDER EQUALITY

Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance, and natural resources in accordance with national laws.

The "Scelgo Io Imprenditoria Femminile" loan provides bespoke solutions for self-employed women and SMEs in which women's participation is high.

Retail banking products designed to deliver a specific social benefit (G4 - FS7)		2019	2018	2017
Current accounts for Associations	n.	1,916	780	330
	Loans €	1,937,985	1,789,947	10,294
	Direct funding €	64,570,114	3,122,120	40,693
Current accounts for Nonprofit Associations	n.	1,421	275	98
	Loans €	538,371	931,490	455
	Direct funding €	80,766,369	5,896,335	11,031,422
Scelgo Io - Women entrepreneurship	€	127,000	390,000	980,000
	n.	7	20	30
	%	0.003%	0.01%	n.a.
Amount allocated for natural disasters/ earthquake in Central Italy	€	2,966,950	15,929,754	13,805,072
	n.	179	1,423	1,414
	%	0.07%	0.39%	n.a.
Emilia Romagna Region Multipurpose - Starter Fund	n.	30	20	n.a.
	€	1,671,703	715,893	n.a.
	%	0.04%	0.02%	n.a.
Emilia Romagna Region EuReCa Fund	n.	17	14	-
	€	2,745,320	1,269,414	-
	%	0.04%	0.03%	-
Campania Region "Resto al Sud"	n.	22	3	-
	€	1,120,195	154,658	-
	%	0.026%	0.00%	-
Guarantee Fund	n.	477	n.a.	n.a.
	€	74,139,296	n.a.	n.a.
	%	1.723%	n.a.	n.a.
Monetary value of the listed products over the total value of Retail Banking products	%	1.9%	n.a.	n.a.

Corporate banking products designed to deliver a specific social benefit (G4 - FS7)		2019	2018	2017
SACE MLT	n.	18	16	25
	€	25,900,000	30,900,000	29,675,000
SACE Corporate	n.	6	n.a.	n.a.
	€	45,500,000	n.a.	n.a.
Central Guarantee Fund	n.	94	714	739
	€	47,262,275	146,770,783	160,866,702
EIF	n.	30	n.a.	n.a.
	€	45,900,000	n.a.	n.a.
Monetary value of the listed products over the total value of Corporate Banking products	%	13.6%	8.85%	9.49%

8 DECENT WORK AND ECONOMIC GROWTH

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalization and growth of micro-, small- and medium-sized enterprises including through access to financial services.

In 2019, the project for the creation of an innovation hub took off, with **LE VILLAGE** in Milan in full operations, with an increasing number of startups joining it. The initiative, which the Parent Company Crédit Agricole S.A. has pursued for some years now in France, is intended to support young businesses with high innovation and potential for growth, through a system that involves public and private partners. At the hub, startups can find a multitask space to work and can use the provided services ranging from enterprise acceleration, to support in fundraising through networking with corporate investors or direct access to loans supplied by the Crédit Agricole Italia Banking Group, as well as support for internationalization. Furthermore, a project started for the opening of another Le Village hub in Italy, in Parma, which will commence operations in 2020.

2 ZERO HUNGER

By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and nonfarm employment.

In 2019, the Group further strengthened its operations in the agricultural and agri-food sectors, implementing, on the one hand, a more strategic approach with a **Commercial Action Plan** in growing subsectors, such as Organic Farming and Contract Farming, and supporting young entrepreneurs, while keeping constant focus on horizontal supply chains, such as grains, meat, dairy and wine. At the same time, in the agri-food scope, the Group further strengthened its strategy with yet another implementation of supply chain agreements: indeed, **29 supply chain agreements** were signed with leading processors in the Italian agri-food sector. The agreements are for the provision of financing services to the suppliers in the chain, in order to secure the procurement process.

In the reporting year, the Crédit Agricole Italia Banking Group signed another **agreement with the European Investment Bank** (EIB) providing for an allocation of Euro 50 million for the Agricultural sector, 10% of which are reserved to young farmers. It is the first agreement of this kind in Italy. With the EIB funds, the Group intends to support small-size farms and agri-food businesses, also in order to contribute to securing the supply chain.

An approach to the development of local communities and areas was designed and implemented, which involves each one of the Regional Management Centers in setting the specific priorities and key points in their respective areas. With a tailor-made products and services, with support objectives that were stated and shared with local players, the Group offered immediate insight on the needs of the community, on production range limit and on supply chain requirements.

The Group continues in its **partnership with Coldiretti**, the main Agricultural Trade Association, with specific joint initiatives, such as advancing the amounts of EU Common Agricultural Policy payments, the Campagna Amica events, i.e. farmers' markets with km 0 products, and the participation in the XVIII International Forum on Agriculture and Food in Cernobbio.

In 2019, the **"Agritaly" Private Debt Alternative Investment Fund** was launched, which supports Italian SMEs in their projects for growth with medium/long term loans.

In 2019, Crédit Agricole Leasing Italia signed 634 contracts in the Agri-food sector for a total amount of approximately **Euro 90 mln**. The contract signed in the year increased, both in number, +10.5% YOY, and in volumes +24.1% YOY.

Agri-Food Focus		2019	2018	2017
Agri-Food Customers	n.	35,342	34,698	30,651
	Loans (mln €)	4,293	4,126	3,665
	Funding (mln €)	1,347	1,242	1,027
	Indirect funding (mln €)	122	412	443
New Agri-Food Customers	n.	2,690	2,868	n.a.
	Loans (mln €)	405	496	n.a.
	Funding (mln €)	348	258	n.a.

Proximity to customers and communities

The Crédit Agricole Italia Banking Group works in accordance with its customer-focused universal banking model, with strong roots in its local communities and operating also in the main production centers.
Technological and digital evolution has led the Bank to innovate its concept of proximity: while remaining also in the areas and communities where it has long been operating, it has embraced innovation going towards an omnichannel mode, in order to ensure access to services and the account manager - customer relationship irrespective of physical presence.

As at 31 December 2019, the Group was physically present in 543 municipalities.

Local presence (G4-FS13) - Branches by Region	2019	2018
PIEDMONT	51	58
LOMBARDY	154	164
VENETO REGION	82	88
FRIULI-VENEZIA GIULIA	83	87
LIGURIA	65	69
EMILIA-ROMAGNA	250	279
TUSCANY	102	119
UMBRIA	8	10
MARCHE	8	9
LAZIO	40	44
CAMPANIA	52	57
Italy	895	984

Local presence (G4-FS13)		2019	2018	2017
Number of points of access	n.	895	984	1,010
Number of Small Business Centers	n.	59	61	49
Number of Financial Advisors Markets	n.	11	11	9
Number of Private Banking Markets	n.	22	25	22
Private Banking Sub-centers	n.	18	12	12
Number of Corporate Banking Markets	n.	28	25	21
Corporate Banking sub-centers	n.	9	14	14
Number of Large-Corp Banking Areas	n.	1	1	1
Number of municipalities with<5000 inhabitants served	n.	125	135	135
Number of branches in municipalities with <5000 inhabitants	n.	130	142	142
	%	15%	14%	14%
Number of closed branches in municipalities with <5000 inhabitants	n.	11	0	8
Number of open branches in municipalities with <5000 inhabitants	n.	0	0	0

Retail banking products designed to deliver a specific social benefit (G4 - FS7)		2019	2018	2017
Associazione Promozione Sociale Ricrediti	€	112,000	138,100	62,886
Amount allocated for natural disasters/earthquake in Central Italy	€	4,116,437	n.a.	n.a.
Monetary value of the listed products over the total value of Retail Banking products	%	0.1%	0.003%	n.a.

Furthermore, in 2019 a new partnership was established between Crédit Agricole and the **University of Brescia**, which, along to those already in force with the Universities of Parma and Venezia, is yet another value proposals for the communities aimed at fostering interaction between the academic realm and the world of work.

Also in 2019, Crédit Agricole reasserted its support to the Italian sports and sociality world, establishing a partnership with "F.C. Internazionale Milano".

In 2019, the range of branded products was extended and completed, with the Nexi Classic Inter and EasyPlus Inter new cards, as was the set of joint initiatives with solidarity and personal growth purposes.

Crédit Agricole has joined Inter's "Membership" programme, a digital platform for its fans, who, by choosing Crédit Agricole offer, will make a donation to the San Gerardo Children Hospital coordinated by the Monza e Brianza Mother and Child Foundation.

Consistently with the Strategic Plan to 2022, the **Private Banking** and **Financial Advisors** channels augmented and sped up the growth pace pursuing key drivers, such as customer satisfaction, the development of resources' professional skills and service model evolution.

The Financial Advisors channel continued, also in 2019, with its intense recruiting activity, whereby the network was strengthened with many resources recruited in the market and with resources already in the Group's workforce. In the reporting year, Amundi SGR released products dedicated to the Customers of the Private Banking and Financial Advisors channels (Amundi Private Emerging Markets and Amundi Private Sustainable), the latter focusing on **socially responsible investing**, especially in clean energy, water treatment and emission reduction.

In 2019, two new multiline policies were launched by **Crédit Agricole Vita, Private Dynamic Strategy and Dynamic Strategy HNWI**, bespoke for the Customers of the private banking and financial advisors channel, which, in addition to the typical benefits of life policies, are an investment solution that is at the same time exclusive, flexible and fully customizable.

In the reporting year, "**Protezione Infortuni - Linea Over 65**" was launched, an insurance solution designed to meet the increasing need for protection and security of a target of customers - from 65 to 80 years of age - that do not generally have accident protection insurance.

Among the many initiatives, worth mentioning is the constant cooperation between the Corporate Banking channel, the Small Business Centers, the Private Banking and Financial Advisors channel in the management of specific needs and requirements of target customers. This cooperation yielded an increase in business transactions made in synergy with the aforementioned two structures. The outcome of the DOXA survey on the satisfaction of the Customers of the Private Banking and Financial Advisors channel was once again very good.

In this regard, contact proactivity was boosted through the development of an approach for continuous contact between the Banker/Financial Advisor and his/her Customers, also thanks to the organization of dedicated events in the communities.

Specifically, at the end of 2019, a r**oadshow with events in several Italian cities intended for the Customers of the Private Banking and Financial Advisors channel was organized, in cooperation with Amundi** on very topical and interesting themes, such as sustainability in investments (ESG). The Bank's activities were supported with constant and parallel Communication actions, both internal with specific calls, workshops and seminars, and external with the monthly newsletter with financial/educational contents, which is sent to Customers via Direct E-mail Marketing (DEM).

As regards Private Insurance offer, policies governed by the Luxembourg law were launched to meet the needs of Customers for high customization;

As done in the previous year and to meet the needs of more and more advanced Customers, also in 2019 the Private Banking and Financial Advisors specialist channels interpreted digital innovation and multichannel access to the service as an integral part of the business.

crowdforlife
Sostieni piccoli e grandi progetti con un click

17 PARTNERSHIPS FOR THE GOALS

Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

In October 2019, **CrowdForLife**, a Crowdfunding portal went live. In the footsteps of the good experience with Eticarim, the portal for nonprofit organization in the Rimini area, which was acquired along with Banca Carim, CrowdForLife is intended as a starting point to give credit and value to ideas that aspire to become true projects. The portal is in tune with the Group's vocation for proximity and closeness to the community and the Group has chosen crowdfunding as a new tool able to generate value through tangible support to small and big projects.

CrowdForLife has been designed as a place for interactions between nonprofit organizations seeking funds to convert their ideas for social good into reality and, on the other hand, everyone that wants to directly support their projects, also with a small contribution. Thanks to CrowdForLife, fundraising campaigns can be started in a **Keep It All** mode, i.e. the amount collected at the end of the fundraising activity, irrespective of what amount, is donated to support the project and its purposes, or campaigns with a theme, where the most innovative projects are awarded the funds. Every project is assessed in accordance with a process based on set criteria and, if it is found eligible, it is published on the portal and fundraising starts. The portal has Partners that may co-finance the projects they deemed the most deserving, in accordance with their own internal criteria or calls for proposals with a theme. Furthermore, people can support an idea as personal fundraisers, contributing to the search for other donors in order to achieve the final objective. In less than two years, the portal promoted 3 fundraising campaigns, one of which was completed, for a total amount of €18,830.

11 SUSTAINABLE CITIES AND COMMUNITIES

Strengthen efforts to protect and safeguard the world's cultural and natural heritage.

Once again in 2019, the Crédit Agricole Italia Banking Group proved close to the communities where it operates, acting directly as promoter and supporter of initiatives and projects in different scopes. Consistently with the commitment it has proved over the years, the Bank was involved especially in searching and enhancing local excellence and in the social field with health and socio-assistance, cultural and art projects.

In the reporting year, the Group chose to support economic activities and trade associations especially in the areas where it has always been operating, promoting local initiatives, meetings and events.

As regards its **commitment to culture**, the Group contributed to the restoration of 4 out of the 7 paintings on display at the exhibition "Caravaggio in Napoli" and to putting on display the '"Adoration of the Magi" by Artemisia Gentileschi at the Diocese Museum by concession of the Diocese of Pozzuoli. Together with Fondazione Cariparma, the Bank paid for the restoration of the Crucifixion Cycle, a set of frescoes by Walter Madoi, in the church of San Rocco in Sesta inferiore di Corniglio, in the province of Parma.

The Group also supported Fondazione Nuovi Mecenati, a French-Italian institution under the patronage of the French Embassy in Italy, which organizes important initiatives in favour of young French artists that work in Italy.

The **long-standing partnership with Teatro Regio di Parma** continued for Festival Verdi, thanks to the tax advantages provided for by the Italian law on art bonuses. In 2019, the Bank again supported the long-standing initiative School of Journalism, which is intended for the high schools of Piacenza, in cooperation with the "Libertà" newspaper, and aims at promoting newspaper reading in class.

For the second year in a row, Crédit Agricole supported the **restoration of the Church of San Francesco del Prato** in Parma. The conservation work and reopening the church to the public after more than 200 year is the most important cultural project scheduled for completion in 2020, the year in which Parma will be the Italian capital of culture. Pordenonelegge, Dedica Festival, the Mario Luchetta International Press Award and Euganea Film Festival are the main **cultural events supported by the Group in the Friuli Venezia Giulia and Veneto Regions**.

In terms of social commitment, the Bank continued with the "**Payroll giving**" project, which, since 2014, at the initiative of the Corporate Social Responsibility Joint Committee, has been involving people of the Group in social responsibility initiatives, especially in favour of children. Approximately 9,300 Employees, i.e. 95% of the total, have joined this initiative donating to specific projects the cents of the net amount of their pay, to which the Bank adds the cents to make 1 Euro. In the reporting year, the amount collected was donated to the **Associazione Bambini cardiopatici nel Mondo** on Italian NGO helping children with heart diseases worldwide, with the purchase of a heart/lung bypass simulator, which is essential for training young heart surgeons of the hospital that admits many children coming from Italy and from abroad, and to **AGUAV - Associazione Genitori ed Utenti Audiovestibologia Varese**, the Association of Children Audiovestibular Medicine patients and their parents of Varese, for the purchase of a state-of-the-art microscope, which was donated to the Audiovestibular Medicine of Varese, a center of excellence in Italy for diagnosis and treatment of deafness, especially in children.

In the reporting year, the Group supported **APRO Onlus**, a volunteering association set up by citizens and doctors of the Santa Maria Nuova Hospital of Reggio Emilia to organize fundraising campaigns for research and care of pancreas diseases.

Again in the healthcare sector, Crédit Agricole FriulAdria supported the research project of **Fondazione Italiana Fegato**, which works for the prevention and care of liver diseases, as well as the San Bortolo Foundation for the construction of Modified Atmosphere Chamber for the Hematology Unit of the Vicenza Hospital. The Bank is a partner of the Cystic fibrosis Foundation and, in the reporting year, supported the "Task Force" project, aimed at finding a treatment for this serious condition. In 2019, to foster fundraising, the "Una Pedalata per la ricerca" event was organized, a bicycle tour to increase awareness, which involved employees and volunteers of the Foundation at the main Branches in Treviso and its surroundings. Furthermore, Crédit Agricole FriulAdria partnered up with the Hollman Foundation, which has the important objective of constructing an inclusive Five Senses park in Padua, by 2021.

The banking industry trade unions and the Italian Banking Association (ABI) set up the **Fondo Prosolidar**, the banking industry national fund for solidarity projects throughout Italy. The fund is supported with "match-gifting", i.e. by the contributions donated by the workers and by the contribution given by the Bank, which doubles the collected amount.

In order to foster the inclusion of young people, the Group supported the **Premio Letterario Edoardo Kihlgren Opera Prima - Città di Milano**, organized by Associazione Amici di Edoardo under the patronage of the Municipality of Milan, a literary prize for young European writers that have published their début work translated into Italian. The initiative aims at creating the opportunity for young writers to interact with the public and literary critics, as well at fostering passion for reading in young people, who play an active role in choosing the work to be awarded the prize. In the reporting year, some members of Barrio's, a famous youth aggregation center in Milan, sat on the jury.

Within its Special Persons FReD project, the Bank established a partnership with **Teatro Lenz**, a theatre that dedicates a considerable part of its programme to the topic of disability. Crédit Agricole FriulAdria supported the "**Quid project**", an initiative promoting on-the-job inclusive learning techniques thanks to workshops organized in penitentiary institutions. Quid is a social cooperative, which, through its ethical fashion brand, gives the opportunity of a stable job to people in occupational difficulties in Italy, with specific focus on women.

The Bank also had the opportunity to get in contact with the new generations, promoting its services, thanks to **its support to innovative events**, with high-end speakers, such as TEDxPadova, TEDxTreviso, TEDxVerona, Marketers and Digital Meet.

Crédit Agricole FriulAdria supported several initiatives for environmental protection and fostering a circular economy. Among these, worth mentioning is the partnership with **FIAB Tuttinbici**, which started a project for the restoration and reclamation of the railway house in Grisignano (Vicenza) to convert it into a Hub for bicycle touring in the Veneto Region.

Ein Prosit, Cucinare and participation in Vinitaly were the main initiatives supported in the agri-food sector in 2019. These events, which were organized in the Friuli Venezia Giulia and Veneto Regions, involved the most important wine-makers and agri-food producers.

Furthermore, every Regional Management Center, except for the Romagna and Tuscany ones, because the Foundations of the former Fellini banks operate in these Regions, has its own annual charity budget to be used for local associations, mainly for social initiatives.

The Committees consisting of representatives of the Bank and of the Foundations in the Fellini project areas continued to support the Romagna and Tuscany regions, through a fund used for social and cultural initiatives.

The Group is also working to strengthen its relationships with Universities with agreements signed, within which actions are implemented also for **financing tuition**.

Also in 2019, the Crédit Agricole Italia Banking Group proved its interest in **supporting sports**, continuing its partnership with F.C. Internazionale Milano, as well as supporting some small sport associations, because it is fully aware of sport's strong inclusion and social aggregation power, such as Hockey Sarzana, Lerici Sport, Cestistica Spezzina, Nuova Virtus Cesena and Genoa Tennis Club. For the second year in a row, it supported the multiple medalist paralympic athlete Giulia Ghiretti, who is going to participate in the Tokyo 2020 Olympic Games with the swimming paralympic team.

Crédit Agricole FriulAdria supported some important sport associations of its area, such as Kioene Pallavolo Padova, Verona Rugby and Treviso Basket.

Investments in the community (201-1)		2019	2018	2017
Sponsorships	%	51%	61.5%	63.9%
	€	2,116,189	2,533,729	3,135,478
Donations from the charity fund	%	49%	38.5%	36.1%
	€	1,999,236	1,588,678	1,772,659
Scopes of action (Sponsorships)				
Culture	%	7%	4.9%	3.7%
	€	144,960	124,554	115,300
Other	%	2%	6.9%	3.6%
	€	45,980	173,810	112,540
Sports	%	62%	61.2%	67.5%
	€	1,304,642	1,549,514	2,117,899
Economic	%	29%	27.1%	25.2%
	€	620,607	685,852	789,739
Scopes of action (Donations from the charity fund)				
Culture	%	57%	65.6%	62.2%
	€	1,144,500	1,042,400	1,102,060
Social	%	41%	32.0%	30.9%
	€	810,636	508,444	548,149
Sports	%	0%	1.9%	3.2%
	€	0	30,000	56,200
Other	%	2%	0.5%	3.7%
		44,100	7,834	66,250

The Group organized another event of the "**Volontari di Valore**" (Worthy Volunteers), a corporate volunteering initiative in cooperation with Legambiente, which has been designed to promote the network development and strengthen the trust relationship with its stakeholders and with the local communities where the Group operates. At the latest event in this initiative, 400 colleagues undertook the cleaning of beaches, parks, riverbanks, embankments and city centers in 11 provinces, namely those of La Spezia, Mantua, Milan, Florence, Padua, Parma, Pordenone, Rimini, Rome, Naples and Turin. In addition to the useful thing done, with approximately 1,600 kg of waste collected during the latest event, the initiative was also a good opportunity to increase the awareness of the Group's employees on important social topics, thanks to the participation of 11 local nonprofit organizations.

In the reporting year, the Committees consisting of representatives of the Bank and of the Foundations based in the Fellini project areas continued their activities supporting Romagna and Tuscany.

Rimini Foundation

The most important actions were implemented in favour of Rimini and neighbouring municipalities, supporting initiatives to the benefit of the community, especially cultural ones. In addition, social and art initiatives were undertaken with the restoration of churches and the organization of exhibitions.

Lugo Foundation

Support was provided to local social-purpose associations that help weak groups and schools to foster integration, with many contributions throughout the Lugo area.

San Miniato Foundation

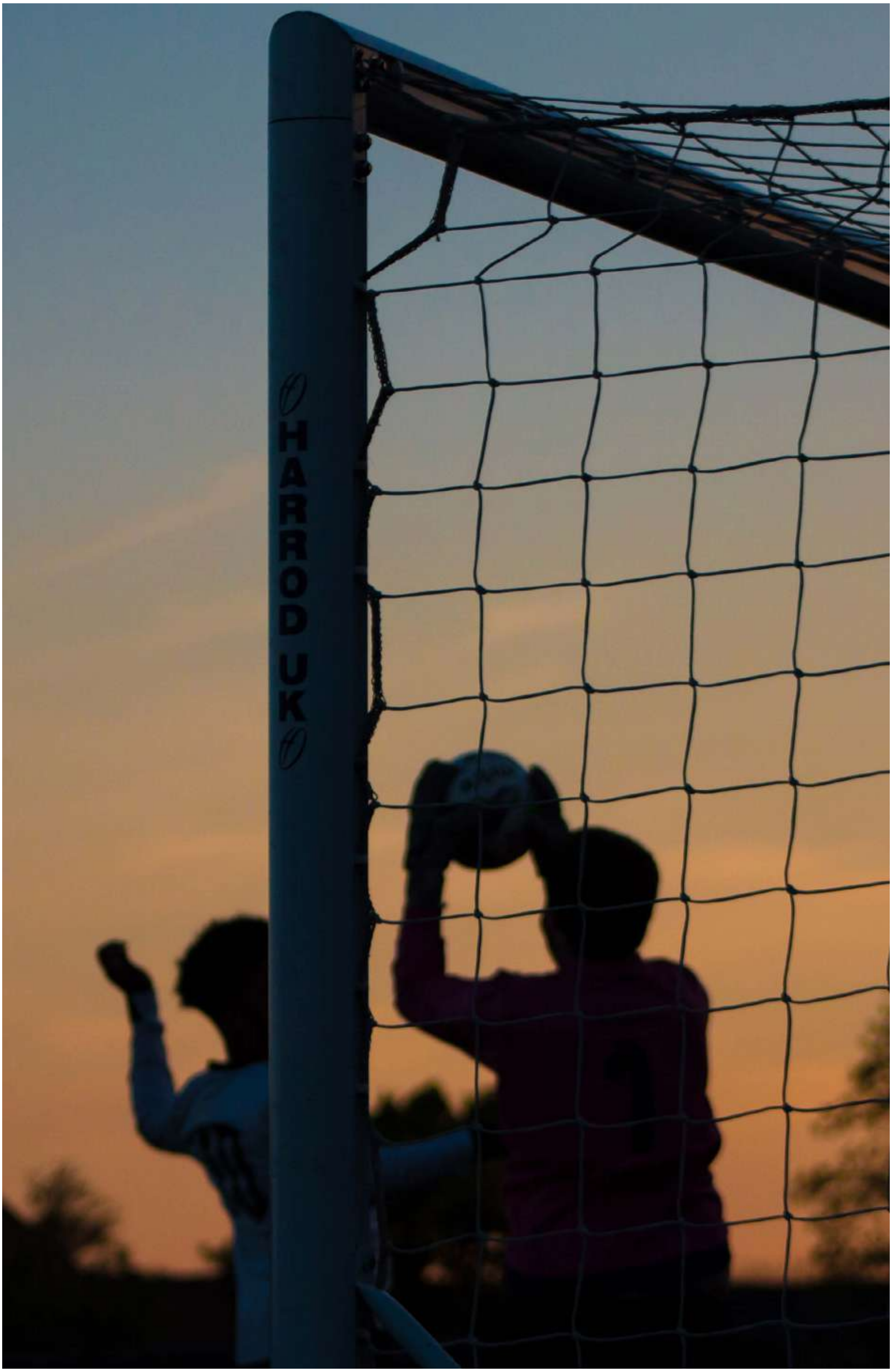
Also in this area, many requests made by different Municipalities were satisfied: in San Miniato a school bus was donated and needed works were done in public parks. Some important social and art actions were also supported.

Cesena Foundation

In Cesena, special attention was paid to education, supporting many projects aimed at social inclusion and tuition, along with strong commitment to healthcare matters.

Faenza Foundation

In the reporting year, support to cultural associations was especially focused on.


HARROD UK

FIGHT AGAINST CORRUPTION

Fight against active and passive corruption

MATERIALITY FOR THE BUSINESS OPERATIONS OF THE CRÉDIT AGRICOLE ITALIA BANKING GROUP

The material topic of *Integrity in governance processes and in managing the business* expresses **the Group's commitment to running its activities with integrity and fairness**, starting from fight against bribery and corruption in all forms whatsoever, all the way up to setting its strategic directions. The governance system of the Crédit Agricole Italia Banking Group is based on principles of ethics that translate into a transparent and fair conduct in running its business operations and into actions to mitigate the risk of corruption. Proper application and the impact of anti-corruption legislation on the Bank's processes and procedures are monitored and assessed by the Compliance Department, which sets the prevention and control measures and is responsible for effectiveness controls on operational practices. This is one of the ways in which it ensures mitigation of noncompliance risk.

The Compliance Department is always on top of all developments in the applicable legislation, regulations, laws, codes, self-regulation instruments and professional and ethical standards, both at a domestic level and those regarding the Crédit Agricole Group, in order to ensure constant upgrading of the internal normative instruments; it also validates *ex ante* the Group regulatory system and operational processes. The Bank performs fairly and transparently every activity for the design and sale of products, both inside and outside the Group, in order to put every one of its stakeholders in the conditions of making aware choices.

POLICIES ON THIS TOPIC

The Crédit Agricole Italia Banking Group has implemented a model for governance, prevention, mitigation and management of fraud risks, including active and passive corruption.

In this scope, the "Policy for fight against corruption", along with the "Regulation for the management of the fraud combating process" gives the guidelines steering prevention and control of this risk. These instruments ensure control for proper management of this topic, mitigation of the associated risks and the development of an appropriate corporate culture. In 2019, the Crédit Agricole Italia Banking Group implemented the **SCIPAFI - Public Fraud Prevention System**, a tool to prevent, in administrative terms, frauds in consumer credit, with specific regard to identity theft - which is used to verify the authenticity of the documents submitted by prospects to prove their identity during the process for online account opening. The use of this tool will be extended to other operations of the commercial network.

As regards anti-corruption, implementing the directions and guidelines set by the Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group started a process for the harmonisation of the internal normative instruments and procedures in force to the French law "Loi Sapin II".

Therefore, measures to fight corruption have been implemented and have taken the form of a specific **Anti-corruption Programme** that aims at establishing a culture of prevention and fight against bribery and corruption risks throughout the Group, with a "zero tolerance" approach to any and all behaviours that are not ethical, in general, and to any bribery and corruption risks in particular. All corporate structures, with special focus on the Purchasing and Logistics Department as regards the register of vendors, cooperated with the Compliance Department to map Bribery and Corruption Risks, providing a full picture of the activities performed to mitigate them.

This, in 2019, the Crédit Agricole Italia Banking Group adopted the new "Policy on prevention of bribery and corruption risk" setting the roles and responsibilities of all players involved in the Anti-Bribery and Anti-Corruption Programme and in organizing the system to prevent and control bribery and corruption risks. The Policy was submitted to the Boards of Directors of all the companies of the Group in order for the relevant resolution to be approved.

The Anti-Bribery and Anti-Corruption Programme provides for:

- The design of a specific governance arrangement with the new role of the Anti-Bribery and Anti-Corruption Owner, responsible for ensuring the development of the Anti-Bribery and Anti-Corruption Programme. Specifically, the Owner is responsible for coordinating the implementation of the Programme and its regular updating, for providing all personnel with information on the anti-bribery and anti-corruption arrangement implemented through internal regulations, mandatory training and specific rules of conducts for anti-bribery and anti-corruption purposes.
- The implementation of 8 specific pillars that are the architecture of the arrangement for preventing and controlling anti-bribery and anti-corruption:

The Group has in force a “Whistleblowing Policy” aimed at ensuring an internal system for reporting any deeds or facts that may be in violation of any legislation or regulation applicable to the banking industry or that may amount to abuse of power, ensuring the confidentiality of the person reporting such deeds or facts.

This policy lays down the procedures to receive, analyze and manage any reporting of suspected offences, malpractices or violations (whistleblowing) committed by employees, corporate officers or third parties.

The Lending Policies, which were updated to make them perfectly fit for the Company's organizational structure, provide for the responsibility of the Central Decision-Making Bodies, in accordance with their specific decision-making powers, for the decisions on the each single loan application and drawn amount by politically exposed persons, Countries subject to embargo or surveillance measures and activities in the "sectors under surveillance", with the prior favourable opinion of the Anti-Money-Laundering/International Sanctions structure.

The Anti-Money-Laundering Service shall give its prior opinion on the participation in public tendering procedures or on the receipt of public funding.

The "Anti-Money-Laundering Policy" sets out the practices to prevent any involvement, also unaware, in money-laundering and terrorism financing instances.

ACTIVITIES AND OPERATING PERFORMANCE

Substantially reduce corruption and bribery in all their forms.

As regards Anti-Bribery and Anti-Corruption, the Group obtained the renewal of the certification of its Anti-Bribery and Anti-Corruption Management System with the issue of the **ISO 37001 international standard certificate**, after an assessment performed in 2019 by an external certifier Firm on anti-bribery and anti-corruption.

Implementing the instructions and guidelines of Crédit Agricole S.A. on the prevention of bribery and corruption in accordance with the French act Loi Sapin II, in 2019 the Crédit Agricole Italia Banking Group started its Anti-Bribery and Anti-Corruption Programme in order to further strengthen its prevention and control system already in force by adopting a specific governance arrangement structured on eight pillars. The objective is to spread more and more effectively **a culture of prevention and control of bribery and corruption risks** with the commitment and involvement of the corporate bodies and to convey and deploy a "zero tolerance" policy against any unethical behaviour.

Actions taken to respond to corruption incidents (205-3)		2019	2018	2017
Disciplinary measures for corruption incidents taken against employees	n.	0	0	0
Dismissal for corruption	n.	0	0	0
Total number of confirmed incidents of corruption	n.	0	0	0
List the different types of corruption incidents by employees (205-3)				
Total number of confirmed incidents of corruption in which contracts with business partners were terminated or not renewed due to violations related to corruption	n.	0	0	0
Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.	n.	0	0	0

In this scope, training is considered an important and essential step: training deals with the applicable legislation and regulatory contents, the associated risks and the arrangement in place to protect the customers, the employees and the Companies of the Group.

The Group continued to ensure that training be provided to the new members of the Boards of Directors of all its entities on the main regulatory pillars relevant for compliance (compliance, financial security, international sanctions, fraud prevention, personal data protection, responsibility and liability associated with the role of Directors on supervision, confidentiality, prevention of conflicts of interest and of market abuse).

For the Crédit Agricole Italia Banking Group, the in-person training on these is directly entrusted to the Compliance Officer. Among the different topics dealt with, the prevention of bribery and corruption is specifically focused on, as the same prevention measures aim also at managing and mitigating, among others, reputational risk and the risk of penalties.

In 2019, this training was provided to the new Italian members of the BoDs who took office on 1 January 2019, whereas the other new members were provided training by the Compliance Departments of the other entities of the Crédit Agricole Group.

Moreover, the rigorous approach adopted by the Group on bribery and corruption is communicated to everyone through the **Code of Ethics and the Code of Conduct**. Fight to bribery and corruption is intended also as an element making the Bank stand out from among its competitors and as a transparency message to its Customers. In 2019, no bribery and corruption cases occurred.

Furthermore, in the reporting period, training and awareness-increasing actions were intensified on internal and external frauds, with specific training sessions for the Commercial Network, with a specific information section in the Company Intranet and with new e-learning courses available on the Company platform.

Training on anti-bribery and anti-corruption policies and procedures (205-2)		2019	2018	2017
Scope				
MiFID training	hours	129,120	131,380	8,542
Anti-money-laundering (AML)	hours	22,334	3,610	6,759
Training on 231	hours	22,240	478	712
Professional category				
Senior managers	n. of attended sessions	233	33	108
Junior Managers	n. of attended sessions	14,827	4,256	3,386
Professional area (job level)	n. of attended sessions	15,282	3,493	2,713
Senior managers	n.	79	24	56
	%	69%	23%	60%
Junior Managers	n.	4,090	3,072	2,595
	%	95%	70%	66%
Professional area (job level)	n.	4,809	2,393	4,364
	%	93%	46%	42%
By geographical area by total employees				
Northwest Italy	n.	4,613	2,625	5,020
Northeast Italy	n.	2,547	1,091	1,797
Central Italy	n.	1,317	1,372	561
Southern Italy and Islands	n.	501	401	490

The 2018 data do not include the information on the Fellini Banks for the period before their IT migration

Anti-competitive behavior, including anti-trust and monopoly practices (206-1)		2019	2018	2017
Legal actions pending during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant.	n.	0	0	0
Legal actions completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant.	n.	0	0	0

Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations (419-1)		2019
Of which for bank transparency	€	1,700,000
	n.	1
Of which for administrative delay	€	4,963
	n.	3
Of which tax penalties	€	15,568
Operations assessed for risks related to corruption (205-1)		
Operations assessed	n.	0

HUMAN RESOURCES MANAGEMENT

Human Resources Management

MATERIALITY FOR THE BUSINESS OPERATIONS OF THE CRÉDIT AGRICOLE ITALIA BANKING GROUP

If, on the one hand, Crédit Agricole's mission is strongly focused on Customers and on society, to secure their interest, on the other hand it identifies the people of the Group as the heart and core of the human relationship and of its way of doing banking business, who, along with specific skills, readiness to help, closeness and responsibility, strengthen that relationship of trust and proximity on which the Bank builds its interaction with Customers. Vested with a primary role in running business operations, its people are the very drivers of the Group's growth and evolution, being at the same time the "conductors" of the bank system, promoting its change, and the "front line", thanks to their direct contact with, closeness and sensitivity to customers and the communities where the Group operates. The topics that, in the materiality analysis, represent the people of the Group are Work relationships and development of human resources and Internal Dialogue, welfare and equal opportunities.

POLICIES ON THIS TOPIC

Its strong relationship with Customers and the quality of the service it provides reflect the value of the human capital of the Crédit Agricole Banking Group. **People are the innovation engine of every process of the Bank**, and individual growth becomes a metaphor of the Group's evolution. This is why every person is incentivized to strengthen his or her skills and to develop new ones through training programmes fit to enhance internal resources, combined with crosswise paths and career plans promoting his or her professional growth, also internationally. Indeed, intra-group synergies allow and facilitate mobility of resources between Italy and other Countries, in order to promote cultural dissemination and cross-fertilization across the various Crédit Agricole entities worldwide.

In addition to the paths for people focusing on matters such as Change Management, Digital Culture, the relationship with Customers and the Commercial Approach, the Bank is committed to attracting and selecting the best talents on the market, who can contribute to the Group's growth. People management is also based on Alisei 2020, the guidelines setting out a structured path for listening to, developing and assessing resources. This initiative involves people in activities for listening to, developing and assessing resources, which give a full picture of them and facilitate their growth through crosswise and transparent plans.

The knowledge and skills of the personnel who provides advisory services, information on financial instruments, investment services or ancillary services and who operates in corporate processes concerning investment services or in providing information are verified through a specific formalized process. In this regard, in compliance with the requirements laid down in Directive 2014/65/EU (MiFID II), with the Guidelines issued by the European Securities and Markets Authority - ESMA - (AESFEM/2015/1886) and with the Regulation on Intermediaries adopted by CONSOB (Italian Securities and Exchange Commission) with resolution no. 20307 of 15 February 2018, the Group has adopted its "Policy on fit requirements in terms of knowledge and skills for Personnel engaged in investment services".

Topics such as welfare, inclusion and enhancement of diversity are governed through the **Code of Ethics and the Code of Conduct**, which give the directions for proper management of resources, of their development and of their wellbeing at work. Since 2019, these instruments have been supplemented with the Charter of Respect, which protects gender diversity and respect for all, while promoting an approach among people based on cooperation, human relationship and dialogue.

Finally, the Group has chosen to fully pursue its strategies for female talent enhancement and equal opportunities signing the ABI-promoted Charter of women in banking. The ABI Charter promotes the values of gender diversity and inclusion, at all stages and levels in work relationships.

ACTIVITIES AND OPERATING PERFORMANCE

Vesting people with responsibility for the management and evolution of a banking model means trusting them and recognizing their merit. Its human capital represents the Crédit Agricole Italia Banking Group in all the communities where it operates and champions its distinctive and deeply-rooted values, mission and culture. This is the reason why the Bank invests on people as drivers of its business that relies n relationship and proximity, and it does that with specific training programmes, crosswise paths, career plans and initiatives for its employees' wellbeing, creating a work environment that can be, as much as possible, a breeding ground for individual growth.

Breakdown of Personnel		2019	2018	2017
Employees as at 1 Jan.	n.	9,878	8,146	8,269
New recruits	n.	396	228	326
New recruits subsequent to the "Fellini Combination"	n.	0	1,905	0
New recruits for intra-group acquisition	n.	711	9	12
Dismissals	n.	532	401	450
Terminations (intra-group)	n.	702	9	12
Employees as at 31 Dec.	n.	9,751	9,878	8,146
Breakdown of personnel (102-8)				
By gender (31 Dec. 2019)				
Men	n.	4,867	4,984	4,192
Women	n.	4,884	4,894	3,954
By geographical area				
Italy	n.	9,748	9,873	8,142
NORTHERN ITALY	n.	7,849	7,945	6,844
Veneto	n.	607	601	604
Friuli Venezia Giulia	n.	885	926	947
Emilia-Romagna Region	n.	3,830	3,856	2,685
Lombardy	n.	1,497	1,502	1,520
Liguria	n.	596	626	641
Piedmont	n.	434	434	447
CENTRAL ITALY	n.	1,367	1,387	739
Tuscany	n.	882	901	373
Lazio	n.	371	378	332
Umbria	n.	60	60	34
Marche	n.	54	48	-
SOUTHERN ITALY	n.	532	541	559
Campania	n.	532	541	559
Abroad	n.	3	5	4
Total	n.	9,751	9,878	8,146
Employee by qualification				
Graduate and post-graduate	n.	4,071	3,892	3,381
High school diploma	n.	5,365	5,650	4,467
Other	n.	315	336	298

Employees by position, age group and gender (405-1)		2019	2018	2017
Senior managers	n.	119	112	94
<30 years	n.	0	0	n.a.
of which women	%	-	0%	n.a.
30 - 50 years	n.	35	26	n.a.
of which women	%	34.29%	30.8%	n.a.
> 50 years	n.	84	86	n.a.
of which women	%	11.90%	10.5%	n.a.
Junior Managers	n.	4,333	4,407	3,934
<30 years	n.	1	5	n.a.
of which women	%	0%	20%	n.a.
30 - 50 years	n.	2,029	2,101	n.a.
of which women	%	40.27%	40.4%	n.a.
> 50 years	n.	2,303	2,301	n.a.
of which women	%	38.12%	37%	n.a.
Professional area (job level)	n.	5,299	5,359	4,118
<30 years	n.	417	353	n.a.
of which women	%	53.72%	55.2%	n.a.
30 - 50 years	n.	3,022	3,136	n.a.
of which women	%	64.86%	64.4%	n.a.
> 50 years	n.	1,860	1,870	n.a.
of which women	%	52.85%	51.3%	n.a.
Protected categories/disabled (in the annual statement)	n.	614	617	n.a.

Diversity of governance bodies and employees (405-1)		2019	2018	2017
Senior Managers	n.	22	17	12
Junior Managers	n.	1,695	1,703	1,517
Professional area (job level)	n.	3,167	3,174	2,425
Total	n.	4,884	4,894	3,954
Seniority				
<5 years	n.	1,198	1,043	800
6 - 20 years	n.	4,348	4,432	3,396
21 - 30 years	n.	1,846	1,986	1,816
> 30 years	n.	2,359	2,417	2,134
Employees by Contract type (102-8)				
Permanent contract	n.	9,547	9,726	7,973
- of which women	n.	4,782	4,807	3,869
Fixed term contract	n.	204	152	173
- of which women	n.	102	87	85

Training-work(102-8)		2019	2018	2017
Apprentices (of which permanent contracts)	n.	1	3	4
Atypical contracts	n.	1	0	0
Internship	n.	45	34	33
Apprentices (of which permanent contracts)	n.	1	4	1
Total	n.	48	41	38
Part-time (102-8)		**2019**	**2018**	**2017**
Employees with part-time contracts	n.	1,250	1,262	981
- of which women	n.	1,204	1,213	952
Average age (years, months)	n.	47.08	47.00	47.00

Composition of governance (management and control) bodies of the companies of the Group (405-1)		2019
By age group and gender		
<30 years of age	n.	0
of which women	%	0%
30 - 50 years	n.	10
of which women	%	50%
> 50 years	n.	46
of which women	%	11%

The data include the members of the Boards of Directors and of the Boards of Auditors of Crédit Agricole Italia, Crédit Agricole FriulAdria, Crédit Agricole Leasing Italia and Crédit Agricole Group Solutions.

Members of internal governance bodies by geographical origin		
Italy	n.	40
	%	71%
France	n.	16
	%	29%
Other Countries	n.	0
		0%

Return to work and job retention rate after parental leave (401-3)		2019	2018	2017
Number of employees that are entitled to parental leave	n.	3,082	n.a.	n.a.
of which women	n.	1,655	n.a.	n.a.
Number of employees that applied for parental leave	n.	611	526	627
of which women	n.	505	466	515
Number of employees that returned to work after parental leave maintaining at least the same position	n.	583	512	615
of which women	n.	481	454	504
Number of employees that have returned to work after parental leave and are still employed 12 months after returning to work	n.	522	505	519
of which women	n.	463	483	501
Rate of return to work of employees after parental leave	%	100%	100%	100%
of which women	%	100%	100%	100%
Retention rate of employees that were on parental leave	%	99.24%	99,21%	99.43%
of which women	%	99.36%	99.18%	99.40%

The 2018 data do not include the information on the Fellini Banks for the period before their IT migration.

Average hours of overtime per capita (professional area)		2019	2018	2017
Professional area (job level) personnel	n.	5,299	5,359	4,118
Hours of overtime (for CAGS including those accrued at CRP/BPFA)	hours	343,613	320,391	235,626
Average hours of overtime per capita (professional area)	n.	64.84	59.79	57.22

Absences by type (403-2)		2019	2018	2017
Disease	dd	67,429.23	62,164.47	57,431.32
Injuries	dd	3,296.25	2,791.3	2,121.61
Trade union leaves (excluding special scheme leaves)	dd	11,817.67	9,610.52	9,619.99
Law 104	dd	17,754.06	15,763.17	13,734.61
Strike	dd	4.00	5.84	3
Other (paid and unpaid leaves)	dd	673.27	416.44	192.84
Total	dd	100,974.48	90,751.74	83,103.37

The data report the information on the personnel of the Fellini Banks as of the date of IT migration.

Collective bargaining and trade unions representation (102-41)		2019	2018	2017
Employees under national collective bargaining agreements	n.	9,751	9,878	8,146
	%	100%	100%	100%
Employees that are members of a trade union	n.	8,457	8,579	6,916

NOTE: The minimum notice periods regarding operational changes (402-1) is the one provided for by the applicable national collective bargaining agreement,

New hires (401-1) hires + contracts taken over		2019	2018	2017
Hire rate	%	11.35%	21.68%	4.15%
Hire rate from the market	%	4.06%	2.31%	0.15%
By age				
<30 years	n.	314	195	168
30 - 50 years	n.	472	1,248	162
> 50 years	n.	321	699	8
By gender				
Women	n.	568	1,093	128
Men	n.	539	1,049	210
By position				
Senior managers	n.	7	21	4
Junior Managers	n.	402	594	100
Professional area (job level)	n.	698	1,527	234
By geographical area (place of work)				
Campania	n.	11	13	6
Emilia-Romagna Region	n.	180	1,341	138
Friuli Venezia Giulia	n.	11	6	4
Lazio	n.	11	51	10
Liguria	n.	627	13	29
Lombardy	n.	97	52	84
Marche	n.	2	50	-
Piedmont	n.	30	20	17
Tuscany	n.	108	548	7
Umbria	n.	1	30	2
Veneto	n.	29	18	41
Terminations (401-1)				
Termination rate	%	12.66%	4.15%	5.67%
Termination rate with no intra-group transfers	%	5.46%	4.06%	5.52%
By reason				
Resignation	n.	124	81	55
Resignation for intra-group/ extra-group move *	n.	702	9	12
Solidarity Fund	n.	127	171	290
Expiry of fixed-term contracts	n.	84	51	14

Terminations (401-1)				
Retirement	n.	170	77	76
Other	n.	27	21	15
By age				
<30 years	n.	139	56	19
30 - 50 years	n.	451	81	52
> 50 years	n.	644	273	391
By gender				
Women	n.	578	153	179
Men	n.	656	257	283
By occupational category				
Senior Managers	n.	11	10	8
Junior Managers	n.	587	191	162
Professional area (job level)	n.	636	209	292
By geographical area				
Campania	n.	29	31	28
Emilia-Romagna Region	n.	211	154	142
Friuli Venezia Giulia	n.	45	26	42
Lazio	n.	13	6	20
Liguria	n.	653	23	23
Lombardy	n.	98	79	126
Marche	n.	1	0	0
Piedmont	n.	35	34	42
Tuscany	n.	116	32	12
Veneto	n.	30	23	24
Umbria	n.	2	2	3
Other	n.	1	0	0

The data report the information on the personnel of the Fellini Banks as of the date of IT migration.

In 2019, the revision of the Onboarding process started and will lead to accompaniment of new resources as early as from the days before their actual entry. The objective of the new Onboarding process is to foster sense of belonging and to increase the new colleagues' awareness of the Group values.

People and skills

By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

Also in 2019, the Group continued to invest in the relationship with Customers through further training, also on Behavioural Finance. This led to fine-tuning of training as regards roles in the Retail commercial channel, with online training and classroom training to supplement both technical and behavioural know-how.

In the reporting year, **Digital Academy**, the new training platform, went live and contains all the online training courses provided by the Group, behavioural, specialist and technical.

Training on managerial skills also continued, with a total of about 260 managers trained through the **Leadership in action** initiative, providing insight on moving from boss to coach, motivation and development of staff. Along the ones mentioned above, **Female Leadership** programmes also continued, focusing on women's managerial skills.

Among the training initiatives implemented in the reporting year, worth mentioning is a training focus for Central Departments, with special attentions to newly recruited colleagues, on soft Alisei topics, such as Project & Change Management, Problem Solving, Public Speaking.

In the specialist channels, training continued in order to strengthen the account managers' technical skills, obtaining the **AIPB certification for the Private banking channel**, as well the managers' technical skills. The permanent training process on lending continued with the provision of classroom and online training days with refreshers on the applicable legislation, processes and apps.

Several specialist training initiatives were organized for the Private Banking and Financial Advisors channels, including the provision of targeted training specific for each one of the two channels, as required to support their work in a constantly evolving competition scenario For both channels, training covered three main scopes: technical-specialist, behavioural-managerial and regulatory. In this scope, among the most important activities carried out in 2019 worth mentioning is the completion of the two-year training course organized in cooperation with the Italian Private Banking Association (AIPB) and focused also on MiFID 2, thanks to which the Private Banking Network obtained the "**AIPB Certification of Private Bankers' skills - ESMA compliant**", giving further evidence of the quality of the advisory services provided by Crédit Agricole Italia to its Private Banking Customers. Interaction and exchanges with the AIPB continued and proved again fruitful, allowing effective analysis of the main trends in the sector, also with benchmarking among the main competitors.

In cooperation with the Corporate Banking channel and with a leading Italian Law Firm a **joint training session was provided to Private Bankers and Corporate Banking Account Managers** on succession planning and tax optimization regarding entrepreneur customers. The onboarding programme for the new Financial Advisors was completed fostering the development of their sense of belonging to the Group and of its commercial approach and corporate culture. Finally, a targeted managerial and commercial development course continued, aimed at providing insight on planning, acquisition development of referrers.

Also for Wealth Management, the Group continued to invest in the value of People, further strengthening skills with specific training courses. Specifically, **the training project on Behavioural Finance** continued, which supports the Account Managers in listening to their Customers and in analyzing their needs and objectives, in order to guide them towards choices that are aware and consistent and, thus, sustainable over time.

Furthermore, the activity for the certification of anti-money-laundering and transparency skills started, with specific assessments and classes on real cases, involving the entire network.

Finally, training continued for the integration of the colleagues coming from the acquired banks Cassa di Risparmio di Cesena, Banca Carim and Cassa di Risparmio di San Miniato.

Training (404-1)(*)		2019	2018	2017
Hours of training provided	hours	543,585	447,053	367,176
of which to women	hours	270,713	220,394	176,022
Average hours of training per employee	hours	55.8	45.3	45.19
By position				
Senior managers	hours	4,985	2,210	3,128
Junior Managers	hours	288,664	246,782	212,606
Professional area (job level)	hours	249,937	198,061	151,442
Average hours of training by position				
Senior managers	hours	42.2	20.1	33.3
Junior Managers	hours	66.8	56.1	54.0
Professional area (job level)	hours	47.2	37.0	36.8
Average hours of training by gender				
Men	hours	56.1	45.5	44.5
Women	hours	55.5	45.1	45.6
By training method				
Classroom	hours	198,282	168,600	195,970
Online	hours	99,032	77,167	102,366
Virtual classroom	hours	2,730	2,887	6,664
Remote training	hours	242,884	198,339	59,010
Mentorship/Internship	hours	658	60	3,165
By type				
Mandatory training	hours	425,919	320,421	218,041
Funded training	hours	54,704	12,465	390
Training to apprentices	hours	0	0	5,338

(*) The Group's employees that have been posted to foreign entities are not included in the reporting scope. The 2018 data do not include the information on the Fellini Banks for the period before their IT migration.

Training costs		2019	2018	2017
Amount of financed training	€	980,000	337,582	31,720
Training abroad (Crédit Agricole training projects)				
Senior managers	hours	0	0	0
Junior Managers	hours	0	0	0
Professional area (job level)	hours	0	0	0
Breakdown of training by topic area				
Commercial	hours	91,265	72,703	96,641
Insurance	hours	145,465	112,272	93,735
Credit	hours	9,342	6,273	6,389
International transactions	hours	14	132	0
Finance	hours	13,567	3,585	9,303
Legislation	hours	253,512	208,149	136,915
Operational	hours	11,105	23,439	10,676
IT /Foreign languages	hours	7,230	2,251	4,557
Managerial	hours	12,086	18,249	8,960

After completing the survey of the skills of all the Group's personnel using a set of hard and soft skills for the Commercial Network and for the Central Departments. The survey included self-assessment and assessment by the structure Head. Consistently with the considerations made by the personnel members in the self-assessment stage, the results were reprocessed for the design of classroom and online training courses, based on strong points and areas for improvement and to build career paths.

In order to foster further development of the managerial skills of the Crédit Agricole Italia Banking Group's Managers, an important coaching programme started and, in cooperation with some external companies, involved 147 Managers in individual and group experiences. This development tool allows one's potential to be maximized and the expression of a leadership that is more and more consistent with the Company's values.

The Group continued to work on a model for the professional assessment of its personnel, which, in addition to higher focus on behaviours subject to managerial assessment, goes towards an "extended" sharing of the proposals and the related exchange of views within each Department, with coordination and support provided by the HR Department. Concomitantly, on a trial basis and anonymized, a bottom-up assessment system was introduced on the same behavioural axes for a small but relevant target sample of the Group's managers.

Promotion by position		2019	2018	2017
Senior managers	n.	11	7	0
- of which women	n.	6	3	0
Junior Managers	n.	244	169	307
- of which women	n.	94	72	134
Professional area (job level)	n.	557	323	371
- of which women	n.	327	192	245

Performance measurement (404-3)		Personnel assessed through performance measurement in 2019	Personnel assessed through MBO in 2019	Personnel Assessable
Senior managers	n.	in 2019	111	111
Senior Managers - Women	n.	-	18	18
Senior Managers - Men	n.	-	93	93
Junior Managers	n.	4,110	63	4,228
Junior Managers - Women	n.	1,627	9	1,660
Junior Managers - Men	n.	2,483	54	2,568
Professional area (job level)	n.	4,780	-	4,852
Professional area (job level) - Women	n.	2,876	-	2,909
Professional area (job level) - Men	n.	1,904	-	1,943
Grand total	n.	8,890	174	9,191

Personnel assessed in the year(*)		2019	2018	2017
Senior managers	%	100	100	100
Senior Managers - Women	%	100	100	100
Senior Managers - Men	%	100	100	100
Junior Managers	%	98.7	97.8	91.9
Junior Managers - Women	%	98.6	97.5	94.0
Junior Managers - Men	%	98.8	97.8	90.6
Professional area (job level)	%	98.5	98.3	86.3
Professional area (job level) - Women	%	98.9	98.3	86.7
Professional area (job level) - Men	%	98.0	98.1	88.4
Grand total	%	98.6	98.1	86.2

(*) The figures in the table do not include apprentices that are assessed with a specific measurement process. The percentages are calculated based on total people that can be assessed.

For quite some time now, Crédit Agricole Italia has been engaged in several initiatives aimed at promoting synergies, transversality and full-range view between the various companies of the Group.

Among the Group's strategic projects, with the support of the HR Community (which consists of the HR managers of the Entities of the Crédit Agricole Group in Italy), a day event could be organized, called **IndAction**, which was addressed to approximately 160 resources, under 35 years of age, belonging to all the companies and selected from among those with no managerial responsibilities.

The objective is to create and spread the awareness of being part of the CA Italia Group, going beyond the boundaries of the individual companies, as well as of the need to strengthen transversal relationships, building cooperation crosswise the Group, which is a must-have for business development and professional growth.

People at the center

8 DECENT WORK AND ECONOMIC GROWTH

Protect labour rights and promote safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment.

The Group continued with its commitment to **welfare and work-life balance initiatives**, with the renewal, at the end of 2019, of the agreement with the trade unions on smartworking and constant increase in the number of employees using it, which came close to 1500. With a higher number of branches involved in the trial, the Easy Learning pilot project continue; it allows the personnel of the commercial network to take online training from home or from the Company's hubs. Furthermore, the project that led the **concept of welfare evolving towards a concept of wellbeing** was fully developed.

The welfare arrangements of the Crédit Agricole Italia Banking Group consists of a very rich set of pay and contribution components, as per the national collective bargaining agreements and the company-specific ones, of healthcare benefits and supplementary pension schemes, as well as flexible working hours (flexibility and elasticity, part-time, nursing leaves); to all this, in the last few years, work&life balance measures were added, such as smart working and easy learning, as well as "pure" second-level welfare instruments, such as the '**Company child daycare** or a **PSYA** active listening service for employees' psychological wellbeing, as well as initiatives proving sensitivity and closeness to the employees' families, including Family Audit, and gender sensitivity, such as the diversity and inclusion programme **Mixité**. To further improve the employee experience, the **Good Life** project was implemented, which has people's health and wellbeing at its core, with initiatives focused on the concept of «wellbeing» inside and outside the Company.

Questo programma si articola su 5 pilastri:

The main initiatives implemented in 2019 are listed below:

- Partnership with Gympass with an offer for the employees and their families to subscribe for monthly membership with a discount of approximately 60-70% in a network of over 2200 gyms located throughout Italy;
- A pilot project for sports to be played at the Company's premises after the end of working hours;
- The design and spreading of training pills on stress management and others with suggestions for healthy eating;
- The rollout of Good Life wellbeing tours at the main premises of the Group: each event consists of gatherings for healthy drinks and for the presentation of the wellbeing project, conveying the concept that wellbeing can be reached with physical exercise and healthy eating.

In 2019, the "**Giornata del dono**" (solidarity day) initiative was held again, in cooperation with the employees' recreational club. In 2019, the number of volunteering associations present increased to 15 and the day aimed at increasing the employees' awareness on the importance of volunteer work and prevention. A new "**Children at the Office**" event was organized; this initiative aims at conveying to children a positive idea of their parents' work. at the same time, this projects is intended to contribute to social and business sustainability, consistently with the Company's stance on work-life balance. The Children at the Office initiative was held at the Company's premises in Parma, Pordenone, La Spezia and Milan, to offer employees' children an experience focused on respect, for both people and the environment.

The Group continued with the implementation of the planned activities to obtain the "**Family Audit**" certification, which acknowledges an organization's commitment to adopting measures for the promotion of its staff's work-life balance. The Family Audit brand is awarded to organizations that engage in a programme of 3 years and a half, providing for the design and implementation of a Conciliation Activity Plan.

The conciliation plan, which was implemented between 2017 and 2019, focused on:

- Work organization
- Corporate culture
- Communication Welfare
- Family district
- New technologies
- Female talent

Among the main activities implemented on welfare and work-life balance, proximity services were offered at the Green Life HQ, intercompany agreements were promoted and turnover in the use of part-time schemes. Sustainable mobility initiatives were also supported. As regards the Mixité scope, the Group promoted projects for enhancing female talent and on both internal and external communication.

Initiatives were also carried out on parenting, such as the dialogue path with the 4Parents firm and **MAAM&Papà**, the digital programme that accompanies parents before, during and after the birth of a child, to support them in managing the changes underway, a gym to train one's skills. The programme offers parents the opportunity to discover how the parenting experience trains soft skills that are key also for effectiveness at work. The Bank also incentivized the setting up of listening groups for new parents and has parking places reserved to pregnant employees.

In the reporting year, also Crédit Agricole FriulAdria continued with its internal communication initiatives, aimed at promoting dialogue with the Top Management. Some of these initiatives are "A drink with the General Manager. Meeting to connect" at the branches and "Lunch with the General Manager", conviviality occasions among colleagues at the General Management premises. Furthermore, in 2019 meetings between the members of the Steering Committee and employees were organized at approximately 30 branches.

In 2019, the "**Let's improve together. From listening to action**" Project also started. Based on the inputs from some focus groups, this initiative aims at fostering constructive dialogue and the collection from employees of ideas and proposals that can be translated, in an agile way, into concrete actions for improving modalities and the level of service provided to Customers.

In 2019, another **Internal Customer Satisfaction** survey was carried out, within a process that has been implemented in the Company for over 10 years, in order to assess the satisfaction of Central Departments - as Internal Customers - with the Service provided by the corporate structures they work mostly with. In 2019, the process underwent an important development with the participation of Employees as assessors. In both surveys, the Group Overall Satisfaction level was in line with market benchmarks.

In 2019, 77 meetings were held with the trade unions, which led to the signing of Agreements at the Banking Group level.

The most important ones were:

- The agreement on the integration of CA Carispezia into CA Italia, whereby the integration of CA Carispezia bargaining agreements were integrated, without the need for extraordinary measures of job or location mobility, thanks also to the polarization of CA Italia Central Departments and with the integration of the personnel of semi-central structures and the reassignment to the commercial network.
- The agreement on the 2020 company bonus: since 2013, in order to further promote employees' welfare, each employee has been given the opportunity to receive his or her bonus in money or to use it to purchase welfare assets and services. Welfare Services include, for example, supplementary pension schemes and healthcare schemes, as well as the refund of school and university fees, or the purchase of services for leisure time and wellbeing.
- The agreement on voluntary redundancies to deal with all the applications on the list prepared for the 2016 Fund, with the same incentives in financial and legislation terms.
- The agreement on victims of gender violence, which follows the Italian national Trade Unions and ABI joint declaration of 12 February 2019, whereby the Parties agreed on the need to deploy yet other tools in order to support the victims of gender violence, also outside the work environment. Among others, measures on geographical mobility, on the possibility of leave from work and orientation were implemented, also with the assistance provided within the Psya Project.
- The agreement on the election of workers' representatives for health and safety (HSWR), which - drawing upon consultation and participation of workers in health and safety topics - led to the election of new HSWRs.

Average annual gross pay (FTE) (405-2)		2019	2018	2017
Senior managers				
- men	€	203,234	203,552.89	209,204.85
- women	€	133,015	137,280.31	149,297.80
- Women/men base pay ratio	%	65.45%	67.44%	71.36%
Junior Managers				
- men	€	65,087	64,793.66	65,218.40
- women	€	57,755	57,915.89	57,848.58
- Women/men base pay ratio	%	88.74%	89.39%	88.70%
Professional area (job level)				
- men	€	40,410	40,645.76	41,210.43
- women	€	39,970	39,874.09	40,327.37
- Women/men base pay ratio	%	98.91%	98.10%	97.86%

Remuneration includes the base pay fixed component and the variable components. "Significant location of operations" means the Italian national territory. In 2018 women were hired/promoted in job positions with lower pay than the existing average. Also in the light of the limited number in the perimeter, this has reduced the average value of the figure.

Again in 2019, through a survey by Clima involving 7,623 people and based on the Index of Engagement and Recommendation (IER), the perceived strong points were assessed, which specifically regard trust in the top management, optimism for the future and pride in belonging to the Crédit Agricole Group. The survey reported the increase in all breakdown components, with no decrease whatsoever vs. the 2018 outcomes. Some room for improvement has remained on the tools supporting employees and on the need to increase operational efficiency by investing in technology and by streamlining bureaucracy.

5 GENDER EQUALITY

Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision- making in political, economic and public life.

Artemisia is the project created in 2010 to incentivize and proactively promote the development of gender management. Again in 2019, it was implemented with several integrated initiatives, which had all the purpose of supporting the development of a gender-oriented HR strategy, along with the professional growth of female employees. This gender management governance, which was recently reorganized and given the new name "*Mixité*", comprises 3 main action lines:

MIXITÉ

01

Training and networking: training and development activities dedicated to women and occasions designed to foster networking and exchange of views and experiences.

02

Communication: in the reporting year, during the *Mixité* Week and in the continuous and widespread Communication Plan, the initiatives implemented and the achieved results were communicated and given visibility.

03

Measured objectives and KPIs: the FReD objective of increasing to 35% the percentage of women in manager position by 2020 is monitored and measures ensuring respect of gender equality in processes and projects were implemented.

The Charter of Respect was published, which was prepared thanks to the contributions emerged during **Mixité Week** workshops held in the various communities, which are 5 days of events on the enhancement of gender diversity. The Charter of Respect was signed by approximately seventy employees that are «Respect Influencers» and was shared with the Top Management. This document aims at establishing ethically and socially responsible behaviours and fostering a more and more inclusive climate within the Company.

Crédit Agricole Italia is the first Banking Group that signed the "**WOMEN IN BANKING - ENHANCEMENT OF GENDER DIVERSITY**" Charter, which was promoted by the Italian Banking Association (ABI) in order to enhance Mixité and to reassert once more the commitment to enhancing gender diversity as a key resource for sustainable growth, development and value creation.

The second go of the **Mentoring Programme** was completed, which involved 24 Mentees (20 women and 4 men) chosen from among employees showing potential and 24 Mentors, all members of the Top Management of all the Entities of Crédit Agricole in Italy and the members of CA Italia Steering Committee. Furthermore, a Smart Mentorship programme went live, dedicated to young talents among the Group's employees, involving 16 Mentees and 16 Mentors of the CA Italia Banking Group.

The Bank is a signatory of the **Manifesto for Female Employment**, launched by the Valore D Association and aimed at filling the gender gap in the world of work. The Manifesto comprises 9 points and is intended as a support for the enhancement of women in the corporate environment.

HUMAN RIGHTS

Respect for human rights

MATERIALITY FOR THE BUSINESS OPERATIONS OF THE CRÉDIT AGRICOLE ITALIA BANKING GROUP

Protection of Human Rights, ensured by the Italian legislation, makes this aspect relevant but not material based on the Group materiality analysis. Nevertheless, the weight of this topic at global level has prompted the Bank to commit to promoting **recognition and respect of Human Rights in any form and instance within its operations.**

The Crédit Agricole Italia Banking Group respects the fundamental rights of the people that work for it, enhancing and protecting their moral integrity and ensuring equal opportunities.

Special attention is paid to the right to personal data protection, which is a fundamental right of individuals pursuant to the Charter of Fundamental Rights of the European Union (Article 8). This right is now specifically protects by Regulation (EU) 679/2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data. The EU Regulation on personal data protection also requires specific and stronger protection for children's personal data, which was focused on with the production of information material intended for children and their parents and with the scheduling for 2020 of training initiatives on children.

Indeed, the Legislator deems that Children merit specific protection with regard to their personal data, as they may be less aware of the risks, consequences and safeguards concerned. Therefore, the Group, in compliance with the above regulatory expectation and with the accountability principle, has developed information to data subjects aimed at explaining to Customers that are children, with appropriate language, the processing of their personal data, while giving evidence of close attentions and awareness to adult Customers. Moreover, the Group has implemented internal normative instruments, with the Privacy Consolidated Act, aimed also at protecting a fundamental right of Customers, namely the right to protection of their personal data, which is one of the EU Fundamental Rights.

The Group considers lending to the defence sector as a potential area in the scope of the macro-topic of Human Rights and, therefore, exercises strong control on this matter: through the Compliance Department, it assesses each single lending activity regarding this sector, assessing the object of the transaction, the type of counterparty and the political risk associated with the Country it is intended for.

POLICIES ON THIS TOPIC

The principles and fundamental values governing the Bank operations as regards the topic of Human Rights are set out in the **Code of Ethics of the Crédit Agricole Italia Banking Group**, which is is force for all the Group's subsidiaries and binding on all its personnel and other staff, irrespective of the contractual relationship type. Since 2014, the Group has been embracing the Global Compact principles, which are referred to and implemented in its Code of Ethics.

The "Policy of the Crédit Agricole Group on lending to and investing in the defence sector and on providing services to customers belonging to the arms industry and defence sector" governs lending to the defence sector and the relationships with companies operating in the defence sector and in the arms industry. It governs the management of the authorizations to be issued by the competent Ministries, in order to ensure that such transactions are compliant with the foreign and defence policy of the Italian State and are always fully compliant with the Italian Constitution. It rules out any and all loans, of any type, to counterparties that are involved in the manufacturing, storage or sale of anti-personnel mines and cluster bombs, as well as any and all credit facilities intended for the financing of international trade of nuclear, biological or chemical weapons or other weapons of mass destruction. In addition to Crédit Agricole guidelines, the Policy implements the applicable legislation, both international and domestic, and it is **compliant with the stated social and environmental responsibility principles**.

It also describes the processes for the identification and performance, as well as the responsibilities of the single roles and departments. Each lending activity is assessed by the Compliance Department, which analyzes the object of the transaction and the political risk of the Country it is intended for. The Lending Policies for Businesses identify the Countries subject to embargo and the Countries under surveillance. The Policies also define the so-called "Sectors under Surveillance", which require specific attention in lending and in-depth assessments, also in terms of social impacts, as they are considered potentially in conflict with respect for Human Rights.

The assessments on lending to "controversial" economic sectors, such as casinos, gambling and betting, trade of works of art, renewable energy, trade and processing of diamonds, collection and disposal of hazardous waste is the responsibility of the central decision-making bodies, with the prior consent of the Anti-Money-Laundering Service.

To ensure compliance with the Policy on International Sanctions, the International Sanctions Service is engaged in close oversight and control on the counterparties that operate in the identified sectors or in Countries subject to embargo or surveillance measures. Furthermore, the Service monitors, manages and controls the potential risk associated with "International Sanctions" (i.e. the measures adopted by the UNO, EU and OFAC) in terms of Governance, information Systems, Staffing, Training and Permanent Controls.

ACTIVITIES AND OPERATING PERFORMANCE

The Crédit Agricole Italia Banking Group proves the value it attaches to its people also by protecting their rights and ensuring their wellbeing at work. In managing its human capital, the Bank has adopted an approach based on the **principles of equality and equal opportunities and holding individual diversity as added value** for the Group. This model is supported by structured and constant training, thanks to which its people are informed of the policies and procedures regarding all aspects of Human Rights.

Training provided to employees on the policies and procedures regarding all aspects of human rights Code of Ethics (412-2)		2019	2018	2017
Trained employees	n.	939	369	494
Hours of training provided	hours	1,903	738	988

Total number of incidents of discrimination and corrective actions taken (406-1)		2019	2018	2017
Number of discrimination-related complains/ disputes	n.	0	0	0
Number of employees involved	n.	0	0	0
Incidents of discrimination (406-1)				
Incidents of gender-related discrimination involving employees	n.	0	0	0
Incidents of age-related discrimination involving employees	n.	0	0	0
Employees involved in incidents of gender-related discrimination	n.	0	0	0
Employees involved in incidents of age-related discrimination	n.	0	0	0
Labour disputes				
Reporting entity as defendant	n.	25	28	12
Reporting entity as plaintiff	n.	4	7	8
Number of employees involved	n.	29	35	19
Disciplinary measures				
Reprimands	n.	63	69	74
Dismissals	n.	5	5	2
Information and awareness increase	n.	65	36	48

The Group's employees that have been posted to foreign entities are not included in the reporting scope.

Lending to the defence sector

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime.

The Crédit Agricole Italia Banking Group rules out the authorization and disbursing of any type of loan to counterparties that are involved in the manufacturing, storage or sale of anti-personnel mines and cluster bombs, as it rules out any credit facility intended for the financing of international trade of nuclear, biological or chemical weapons or other weapons of mass destruction.

Number of applications (GRI 102-2)		2019	2018	2017
Favourable	n.	373	263	271
Not favourable	n.	4	1	2
Out-of-scope	n.	0	1	0
Value of favourable transactions	€ mln	416.5	612.1	119.5
Area (favourable only)				
Europe	n.	57%	56%	61%
Asia and Oceania	n.	24%	24%	17%
Africa	n.	4%	5%	6%
North America	n.	15%	15%	16%
South America	n.	0%	0%	0%

ENVIRONMENTAL
ASPECTS

Environmental aspects

MATERIALITY FOR THE BUSINESS OPERATIONS OF THE CRÉDIT AGRICOLE ITALIA BANKING GROUP

The third pillar of the FReD metaproject, which represents the Group's commitment in terms of Corporate Social Responsibility, is dedicated to the environment, a key scope hinging the processes for minimizing impacts on the environment and maximizing value through the Bank's activities. Evidence of the materiality of this scope is given by its **range of green targeted products and services**: the greatest contribution that the Group can give to protecting the environment and combating climate change lies in incentivizing people and businesses to be players and drivers of a green transformation. This is the reason why the range of green products of the Crédit Agricole Italia Banking Group has the objective of promoting, at favourable conditions, energy saving solutions and the reduction in GHG emissions. Along with its business strategy, the Bank deploys initiatives aimed at minimizing the direct impact generated by its operations on the environment.

In accordance with Italian Legislative Decree 254/2016, along with environmental performances, information on health and safety at work of the Group's people and the mitigation of "robbery" and "break-in" risks is also reported.

POLICIES ON THIS TOPIC

The Lending Policies for Businesses govern the criteria to supply "environmental" products and services, which contribute to the process for decarbonizing the economy. These criteria take account of the ESG variables in lending processes. Furthermore, in order to improve the quality of lending to Businesses through the design of tools that are fit to manage climate risk, both physical and transition-related, that reward the most virtuous counterparties in terms of environmental protection and sustainability, within the revision of the Lending Policies scheduled for 2020, the present qualitative/quantitative indicators will be supplemented with the measurement: of the Product Carbon Footprint (PCF) and of the counterparty's carbon footprint at the organisational level (OCF), also obtaining specific ISO certifications and through the measurement of seismic, hydrogeological, flooding and sea level rise risks, as well as of other climate change effects, with the related risk mitigation counteractions.

The 2020 Lending Policies will include policies for ESG lending:

IN DEFINING THE FACTORS CHARACTERIZING THE ESG STRATEGY, THE MAIN REFERENCES ARE THE FOLLOWING:

Principles for Responsible Investment (2006);
This initiative is implemented through an international network of investors, United Nations Environment Programme (UNEP) and the United Nations Global Compact (UNCP), where 6 responsible investing principles are laid down, which the over 2,300 signatories have committed to complying with.

Action Plan European Union of Sustainable Finance and Taxonomy EU (06/2019)

European Banking Authority - Consultation Paper (06/2019)

The 6 principles for responsible investing are:

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the Principles within the investment industry.
- We will work together to enhance our effectiveness in implementing the Principles.
- We will each report on our activities and progress towards implementing the Principles.

The policies lay down the parameters for lending to the renewable energy production chain based on the type of energy source used, including photovoltaic, biogas and solid biomass, small hydro and small wind, dams and hydropower plants. As regards loans to the sector of energy production from non-renewable sources, the policies establish the rates of improvement in environmental performances that the investment must generate, in order for lending to power plants to be assessed. These policies implement the ORSE recommendations regarding the IFC environmental performance standards and the World Bank rules on environment protection, health, safety and energy efficiency for the construction and revamping of Power Plants fed by both fossil sources and renewable sources, especially relevant for leasing operations.

The collection, treatment and disposal of hazardous waste are part of the "sectors under surveillance" and are also subject to specific assessments in all lending steps, especially as regards the impact of the related activities on the environment.

The mining and extraction sector is also subject to specific assessments in the lending process, which measures the associated risks and the resulting ecological footprint. Specifically, the measures for pollution prevention and reduction are assessed, along with those to protect biodiversity as regards the "mining, metals and oil and gas" sector.

Since April 2019, the Crédit Agricole Italia Banking Group has regulated, with its Energy Policy, the approaches it already implemented in the previous years, as to refusal to waste resources, reduction in polluting emissions, responsible consumption of paper, water and energy and waste management aimed at waste reclamation.

In addition to giving behavioural indications to the Group's employees, the Policy has also laid down rules and indications for optimal management of the buildings in terms of:

- Air conditioning and treatment;
- Production of domestic hot water;
- Indoor and outdoor lighting;
- Management of Self-Areas;
- Management of office machines.

As regards health and safety, the Risk Assessment Document is the reference for every Company of the Group. It is a strategic direction document that implements the Company's health and safety policy, is prepared in cooperation with the Head of the Prevention and Protection Service and of the competent physician and is approved by the Employer. The document shall be updated if the production process or the work organization undergo considerable changes as regards workers' health and safety. In 2019, the Risk Assessment Document of Crédit Agricole Italia was updated subsequent to the absorption of CA Carispezia.

The Company's health and safety policy is based on 3 principles:

- Pursuing full protection of workers' health and psychophysical integrity, as well as wellbeing, by fitting and providing high-quality work premises, equipment and processes;
- Continuing in the direction laid down by Article 28 of Italian Legislative Decree 106/09 with the assessment of both "risk factors" and "risk conditions";
- Pursuing a "precautionary principle" pursuant to Article 15 of Italian Legislative Decree 81/08, and to Article 2087 of the Italian Civil Code.

ACTIVITIES AND OPERATING PERFORMANCE

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

Its range of home loans has substantiated the support that the Crédit Agricole Italia Banking Group gives to energy transition and to sustainability in general, as, it proposed again in 2019 "**Crédit Agricole Mortgage Loan**", that provides favourable conditions to Customers that purchase properties in high energy classes, A or B, or renovate them reaching those classes. The product has retained its modularity and customization features, with all the rate types available (fixed rate, floating rate and floating rate with maximum rate), the benefit of the first instalment free of charge and flexibility options at the Customers' choice (Skip an Instalment and an options to be chosen among Suspend Instalment, Suspend Portion or Settle Loan).

By 2030, double the global rate of improvement in energy efficiency.

In 2019, the "**Energicamente Gran Prestito**" loan continued to be offered, which is a loan financing energy efficiency works up to €50,000 and the installation of systems for energy production from renewable sources at a very good rate for the Customers. Thanks to this green loan, Customers can upgrade buildings with solutions that improve insulation of the building, replacing or making heating and air conditioning systems more efficient, water heating plants with renewable energy sources and installing photovoltaic panels to produce electric power.

In the reporting year, several initiatives were implemented in cooperation with Agos, such as the "**Parti col Green**" contest, which awarded a Fiat 500 Lounge Easy Power 1.2 GPL to 3 Customers and the commercial initiatives "**Change your Car with a Loan" and "Agos 4 Green**", both aimed at supporting Customers in purchasing eco-friendly cars with low CO2 emissions.

The increasing focus on green topics and the new needs born of digital life have prompted Crédit Agricole to propose the "**Protezione Vivi Smart**" new insurance policy in cooperation with CA Assicurazioni. It is a modular product consisting of three insurance covers that are independent from one another, can be purchased separately and protect Customers that drive vehicles in sharing mode and bicycles, in addition to protecting them against risks resulting from web surfing.

Through the **Energy Multipurpose Fund**, promoted by the Emilia-Romagna Region, the Parent Company supported businesses co-financing works to increase energy efficiency to reduce consumption and to produce green energy.

Promotions also focused on green topics through the Protezione Vivi Smart and MV Liability, giving advantages for Customers having vehicles with low impact on the environment.

Retail Small Business products designed to deliver a specific environmental benefit (G4 - FS8)		2019	2018	2017
Emilia Romagna Region Multipurpose - Energy Fund	n.	12	14	n.a.
	€	1,895,220	1,026,581	n.a.
		0.04%	0.03%	n.a.

The 2019 percentages of the value of Retail products have been calculated on a total that includes: Small Business MLT loans, Mortgage Loans and unsecured loans 2019 originated amount o 2019; Individuals MLT loans 2019 originated amount; Individuals home loans 2019 originated amount.

Retail Individuals products designed to deliver a specific environmental benefit (G4 - FS8)		2019	2018	2017
Green mortgage loan (*)	n.	382	n.a.	n.a.
	Mln €	54,9	n.a.	n.a.
	%	1.3%	n.a.	n.a.
Energicamente Gran Prestito	Mln €	0.1	0.1	0.1
	%	0.002%	0.003%	n.a.
Monetary value of the listed products over the total value of Retail Banking products	%	1.3%	n.a.	n.a.
Vivi Smart Protection Product	n.	5,947	-	-
		170,156	-	-

The 2019 percentages of the value of Retail products have been calculated on a total that includes: Small Business MLT loans, Mortgage Loans and unsecured loans 2019 originated amount o 2019; Individuals MLT loans 2019 originated amount; Individuals home loans 2019 originated amount.

(*) The data regarding Green Mortgage loans have been represented for 2019 only as the data extraction method was fine tuned in the year and, therefore, they are not comparable to those of the previous years

Corporate Products and services designed to deliver a specific environmental benefit(G4-FS8)		2019	2018	2017
Energicamente Business	n.	5	11	38
	€	3,822,656.03	6,781,000	13,890,656
	%	0.32%	0.34%	0.69%

In 2019 the Group allocated Euro 100 million for loans to support the **Green Economy, focusing on sustainability**. The allocated amount is dedicated to all projects for environmental improvement, energy efficiency, water saving, with a rewarding mechanism, in the set conditions depending on the initiatives implemented by Customers

The Group also signed an agreement with TEP Energy Solution, a subsidiary of Snam operating in the energy efficiency sector; the agreement has the objective of facilitating energy upgrading works on residential buildings and stores in Italy, with special focus on apartment buildings.

13 CLIMATE ACTION

Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

Crédit Agricole FriulAdria teamed up with Fondazione Nord Est supporting the research project on climate change impacts and on the strategies implemented by players in the agri-food sector.

7 AFFORDABLE AND CLEAN ENERGY

By 2030, increase substantially the share of renewable energy in the global energy mix.

Also in 2019, Crédit Agricole Leasing Italia kept its nationwide role supporting green initiatives throughout Italy. **Energy leases** are very suitable for financing works intended for the production of renewable energy, such as wind farms, photovoltaic plants, hydroelectricity power plants and bio- mass and biogas plants.

Consistently with the pillars of the Group's MTP to 2022, Crédit Agricole Leasing Italia started the **"CA GREEN-LEASE" green project**, which represented yet another step forward by the Crédit Agricole Group along its way towards stronger commitment to financing the energy transition and sustainability. At the end of 2019, Crédit Agricole Leasing Italia launched Drive Green, a commercial campaign expressly dedicated to contract trucking for leases of vehicles with low environmental impact, such as electric ones, hybrid or natural gas ones, thus benefiting from the State incentives provided for by Italian Ministerial Decree no. 336 of 22 July 2019. This was also an opportunity to provide a concrete service to Customers, while providing also higher value through sustainability.

Energy leases (G4 - FS8)		2019	2018	2017
Portfolio				
Wind farms	K€	34,365	36,149	33,904
Biomass plants	K€	9,747	9,439	10,612
Cogeneration plants	K€	5,687	4,549	6,799
Photovoltaic plants	K€	113,554	128,800	150,573
Hydroelectric power plants	K€	64,780	68,818	68,421
% over total loans				
Wind farms	%	1.69%	1.82%	1.74%
Biomass plants	%	0.48%	0.48%	0.55%
Cogeneration plants	%	0.28%	0.23%	0.35%
Photovoltaic plants	%	5.58%	6.50%	7.75%
hydroelectric power plants	%	3.18%	3.47%	3.52%
Amount financed				
Wind farms	K€	70	3,004	9,463
Biomass plants	K€	1,100	23,455	1,929
Cogeneration plants	K€	1,470	3,106	520
Photovoltaic plants	K€	3,174	160	145
Hydroelectric power plants	K€	228	11,488	8,000
Number of projects financed				
Wind farms	n.	-	11	5
Biomass plants	n.	2	3	5
Cogeneration plants	n.	1	1	1
Photovoltaic plants	n.	4	2	3
Hydroelectric power plants	n.	1	3	2

Total Retail products designed to deliver a specific environmental benefit came to 1.3% of total Retail product. Corporate products designed to deliver a specific environmental benefit came to 0.3% of total corporate products originated.

By 2030, double the global rate of improvement in energy efficiency.

On the one hand, the Group focuses on environmental aspects protecting and promoting Green Economy with green products and services; on the other hand it ensures close control of its direct impacts on the environment, with initiatives aimed **the impact on the environment, keeps energy consumption strictly under control**, along with emissions and use of resources.

In 2019 works in the park were completed and the benefits expected from Green Life, which was built in 2018, started to be fully received. Green, surrounding the buildings, in addition to embellishing the new HQ, represents a strong commitment to respect the environment implementing state-of-the-art eco-sustainability solutions. The complex is surrounded by large meadows and trees: the abundant vegetation contributes to reducing CO2 emissions. “Energy saving” has been set as a priority and as a contribution to environmental improvement, thanks to the use of innovative and integrated systems and solutions, from energy production on site from renewable sources, such as photovoltaic panels, a geothermal plant and a wastewater recovery phytodepuration system.

In January 2019, the new complex, which is “energy class A”, obtainedthe Leed Platinum certification, i.e. the top level of the US classification systemfor building sustainability in terms of energy efficiency, ecological footprint and healthypremises to work and live in.

In 2019 the activities for the upgrading of the old systems intensified, giving priority to the most energy consuming ones and to the oldest ones. With the appointment of the Energy Manager the assessments started on whether to replace the aforementioned systems with more efficient ones and on the implementation of a remote control on them; all these activities aim at energy saving and at reducing waste and emissions.

In 2019, at Green Life, charging stations for electric cars were installed to be used by employees and customers. Furthermore, the contract for the shuttle bus for employees from Parma Railway Station to the city center and to Green Life was renewed and the **Car-sharing** and **Car-pooling** initiatives were maintained, which, in the reporting year, were implemented with the "**Up2Go**" App to organize the commuting route among colleagues. In 2019 the possibility of Smart Working was renewed, with subsequent reduction in employees' mobility and generating electricity and water savings for the Company, while also reducing waste from work at the office.

These initiatives determined the rationalization of the number of trips and, consequently a decrease in the resulting emissions. Finally, again in order to reduce the use of private cars, an agreement was reached with the Municipality of Parma for a bike park near Green Life, with bicycles available to everyone for use, which can then be left at one of the other bile parks throughout the city.

Crédit Agricole Green Life won the "City Brand & Tourism Landscape" international award, promoted by the Italian national Board of Architects, Urban Planners, Landscape Architects and Heritage Preservers and by PAYSAGE, Promotion and Development for Landscape Architecture, with the patronage of Fondazione Triennale di Milano.

The award is for best practices in the various scope of landscape architecture and was given to Green Life as a "place of high environmental and landscape quality, an exemplary reinterpretation of a modern Arboretum. A place rich in contents, which can become, thanks to its plant wealth, an environmental and social resource, not only for employees but for all citizens".

In 2019, the tender procedures were completed for the purchase of charging stations for electric cars to be installed at Green Life, including 2 stations with power up to 22 kW and 2 wall-boxes with power up to 22 kW, equipped with safety systems for remove the cable in case of power outage, and 76 new hybrid and electric cars.

Energy consumption in the organization broken down by primary energy source (*) (302-1)		2019	2018	2017
Electric power	GWh	53.90	58.60	45
Of which from certified renewable sources	GWh	53.90	24.20	-
Natural gas	thousands of m^3	2,290.40	2,816.87	2,129
Self-produced electric power (photovoltaic power station, at Cavagnari day care, car park, other)	MWh	492.81	154.30	184
Diesel fuel for heating	GJ	2,845.51	2,003.2	1,390
Diesel fuel for trucks (**)	GJ	31,010.64	28,720.9	28,337
Petrol (**)	GJ	266.79	260.6	295
LPG	GJ	19.02	0.00	-
District heating and district cooling	GJ	26.35	507.60	640.40
Total (***)	**GJ**	**310,718.55**	**339,570.10**	**265,645.2**

(*) This figure excludes consumption regarding the Group's apartment buildings and, therefore, reports only 40% of its property.
(**) 2018 data on fuel consumption of the Fellini Banks do not include the before-migration period.
(***) Conversions into GJ were made using the factors set forth in ABI 2018 guidelines.

Energy saved within the organization due to conservation and efficiency improvements by energy source (302-4)		**2019**	**2018**
Electric power	GWh	1.99	0.28
Natural gas	thousands of m^3	408.40	0.53
Self-produced electric power (photovoltaic power station, at Cavagnari day care, car park, other)	MWh	492.81	154.30
Diesel fuel for heating	GJ	0.00	-
Diesel fuel for trucks	GJ	0.00	-
Petrol	GJ	0.00	-
Total	**GJ**	**23,335**	**1,582**

GHG emissions (Location based) (305-1; 305-2)		**2019**	**2018**	**2017**
Direct GHG emissions (scope 1 + scope 2)	tCO_2eq	24,982.56	26,647	20,604
of which from electric energy (scope 2 location based) (305-2)	tCO_2eq	17,301.24	18,812	14,293
of which from natural gas	tCO_2eq	4,530.68	5,571.8	4,211
of which diesel fuel for heating	tCO_2eq	210.50	147.4	102.1
of which from diesel fuel for trucks	tCO_2eq	2,284.24	2,115.5	1,976.9
Of which from petrol	tCO_2eq	9.38	19	20.7
Of which LPG	tCO_2eq	1.25	-	-
of which from GHG fluids, R410a gas	tCO_2eq	161.78	7	5
of which from GHG fluids, R407c gas	tCO_2eq	187.34	immaterial	11
of which from GHG fluids, other gas	tCO_2eq	296.15	-	-
Reduction of GHG emissions as a direct result of Climate Change initiatives	tCO_2eq	1,844.97	138.5	n.a.

Emissions were calculated using the CO2 emission factors set forth in ABI guidelines updated to 2018

GHG emissions (Market based)		**2019**
Direct GHG emissions (scope 1 + scope 2)	tCO_2eq	7,681.31
of which from electric energy (scope 2 market based) (305-2)	tCO_2eq	0.00
of which from natural gas	tCO_2eq	4,530.68
of which diesel fuel for heating	tCO_2eq	210.50
of which from diesel fuel for trucks	tCO_2eq	2,284.24
Of which from petrol	tCO_2eq	9.38
Of which LPG	tCO_2eq	1.25
of which from GHG fluids, R410a gas	tCO_2eq	161.78
of which from GHG fluids, R407c gas	tCO_2eq	187.34
of which from GHG fluids, other gas	tCO_2eq	296.15

Emissions were calculated using the CO2 emission factors set forth in ABI guidelines updated to 2018

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

In 2019 throughout Green Life several dispensers of drinkable water were installed, which, together with the distribution of steel flasks to employees, are part of a project to reduce plastic consumption at the HQ. In the reporting year, a considerable plan for optimization of the network was implemented, with the closure of many branches. A positive side effect was the reduction in consumption and direct emissions.

With a circular economy approach, thanks to the ***New Life*** project all the furniture and IT equipment no longer use and resulting from closures were donated to nonprofit organizations, fostering, on the one hand, the reuse of equipment that went on to a new life and, on the other hand, the reduction in waste to be disposed of.

NEW LIFE

261
computers donated

1,566
Kg of prevented waste

800
kg of electronic waste prevented

1,500kg

In environmental terms, for each single reconditioned computer vs. a new pc, the saving is 1,500 kg of resources.

To make a new PC you need (data from a research carried out by THE United Nations University for UNEP):

- 1000 l of water
- 300 kg of oil and/or fossil fuel 200 kg of extracted raw ore
- With 250 computers, we have: 250,000 litre of water saved. I.e. between 2500 and 5000 showers

Approximately 450 movable assets with new use at 20 associations based in Parma and Piacenza, which received furniture and fittings donated to Legambiente by Crédit Agricole and by the Association to the final beneficiaries.

Approximately Euro 50,000 saved because of the choice made of not disposing of the furniture at the dump, but of passing it on to be used.

Materials used by weight or volume (301-1)		2019	2018	2017
Recyclable materials	Kg	1,014,051.71	1,034,827.4	956,648
Paper	Kg	988,045.96	1,005,626.2	956,648
- of which recycled	Kg	860,477.50	895,337.5	850,509
- of which forms	Kg	117,297.94	110,288.7	93,102
Other (paper/cardboard stationery, plastic containers)	Kg	26,005.75	29,201.1	n.a.
Non-recyclable material	Kg	92,810.67	97,872.4	121,494
Stationery	Kg	58,524.91	63,878.7	88,031
Computer materials (mainly toners)	Kg	34,285.76	33,993.6	33,463
Other (specify)	Kg	-	-	-
Total	Kg	1,106,862.38	1,132,699.7	1,078,142
GHG fluids, R410a gas	Kg	77.48	-	-
GHG fluids, R407c gas	Kg	105.60	-	-
GHG fluids, other gas	Kg	111.00	-	-

Total weight of waste by type (306-2)(*)		2019	2018	2017
Non-hazardous waste	t	973,9	881	876.9
Hazardous waste	t	107.6	0	0

(*) Waste regarding the Fellini Banks in 2018 has not been included As regards disposal methods, the Group does not directly handle waste management, but uses the town waste collection service (office waste) and authorized transport companies (special waste) that, based on the waste type, dispose or recycle the waste.

Total withdraw of water by source (303-1)		2019	2018	2017
Water mains	thousands of m³	238.57	275	218

Occupational Health and Safety

In order to ensure higher protection to the people exposed to “robbery” and “break-in” risks, in 2019 the Crédit Agricole Italia Banking Group adopted a set of precautionary security measures. The main actions concerned:

- The installation of physical protection systems against any attempt of stealing ATMs at risk;
- Extension of anti-explosion protection systems to other ATMs of the Group assessed as high risk;
- The start of the plan for upgrading the anti-intrusion security systems at the branches in the Fellini perimeter to the Group standards;
- Sharing the procedures to mitigate roller cash thefts from Branches during the night with the Tuscany Regional Management Center and the Central South Italy Regional Management Center, as in these areas these types of crimes are more impacting;
- The start of the plan for the installation of physical security systems protecting vaults/safe deposit boxes;
- Pilot project for the installation of FISHEYE cameras at branches for anti-robbery purposes;
- Installation of anti-robbery and anti-break-in security systems at the Group’s branches that were transformed into Cashless.

Rate of Injury (403-2)		2019	2018	2017
Total injuries in the year	n.	133	118	97
Women	n.	85	65	57
Men	n.	48	53	40
Total Northwest Italy	n.	36	n.a.	n.a.
Northeast Italy	n.	70	n.a.	n.a.
Central Italy	n.	16	n.a.	n.a.
Southern Italy and Islands	n.	11	n.a.	n.a.
Of which on the way to/from work	n.	79	79	70
Of which at work	n.	54	39	27
Of which fatalities	n.	0	0	0
Of which women fatalities	n.	0	0	0
Accident rate = (total number of accidents in the year / total hours worked) x 1,000,000//worked hours		9.00	8.76	7.92
Northwest Italy frequency rate (number of accidents *1,000,000)/hours worked		9.36	n.a.	n.a.
Northeast Italy frequency rate (number of accidents *1,000,000)/hours worked		8.69	n.a.	n.a.
Central Italy frequency rate (number of accidents *1,000,000)/hours worked		7.73	n.a.	n.a.
South Italy and Insular Italy frequency rate (number of accidents *1,000,000)/hours worked		13.56	n.a.	n.a.
Frequency rate - men (number of accidents *1,000,000)/hours worked		6.16	7.34	n.a.
Frequency rate - women (number of accidents *1,000,000)/hours worked		12.16	10.39	n.a.
Severity index (working days lost *1,000/hours worked)		0.16	0.17	0.20
Severity index Northwest Italy (days of prognosis *1,000/hours worked)		0.23	n.a.	n.a.

Rate of Injury (403-2)		2019	2018	2017
Severity index - Northeast Italy (working days lost *1,000/hours worked)		0.14	n.a.	n.a.
Severity index - Central Italy (working days lost *1,000/hours worked)		0.10	n.a.	n.a.
Severity index South Italy and Insular Italy (days of prognosis *1,000/hours worked)		0.25	n.a.	n.a.
Severity index - men (days of prognosis *1,000/hours worked)		0.10	0.14	n.a.
Severity index - women (days of prognosis *1,000/ hours worked)		0.24	0.21	n.a.
Absenteeism rate		6.88	15.53	n.a.
Absenteeism rate - Northwest Italy		n.a.	n.a.	n.a.
Absenteeism rate - Northeast Italy		n.a.	n.a.	n.a.
Absenteeism rate - Central Italy		n.a.	n.a.	n.a.
Absenteeism rate - South Italy and Islands		n.a.	n.a.	n.a.
Absenteeism rate - men		5.05	n.a.	n.a.
Absenteeism rate - women		8.7	n.a.	n.a.
Rate of occupational disease		0	0	n.a.
Rate of occupational disease - Northwest Italy		0	0	n.a.
Rate of occupational disease - Northeast Italy		0	0	n.a.
Rate of occupational disease - Central Italy		0	0	n.a.
Rate of occupational disease - South Italy and Islands		0	0	n.a.
Rate of occupational disease - men		0	0	n.a.
Rate of occupational disease - women		0	0	n.a.

The 2018 figure does not include 22 injuries incurred by the personnel of the Fellini Banks in the period before their migration into the Group.

The Group does not directly manage any injuries involving external workforce.

Thefts and robberies		2019	2018	2017
Robberies	n.	7	16	12
Thefts	n.	12	13	5
Attempted thefts	n.	20	7	19
Total	n.	39	36	36

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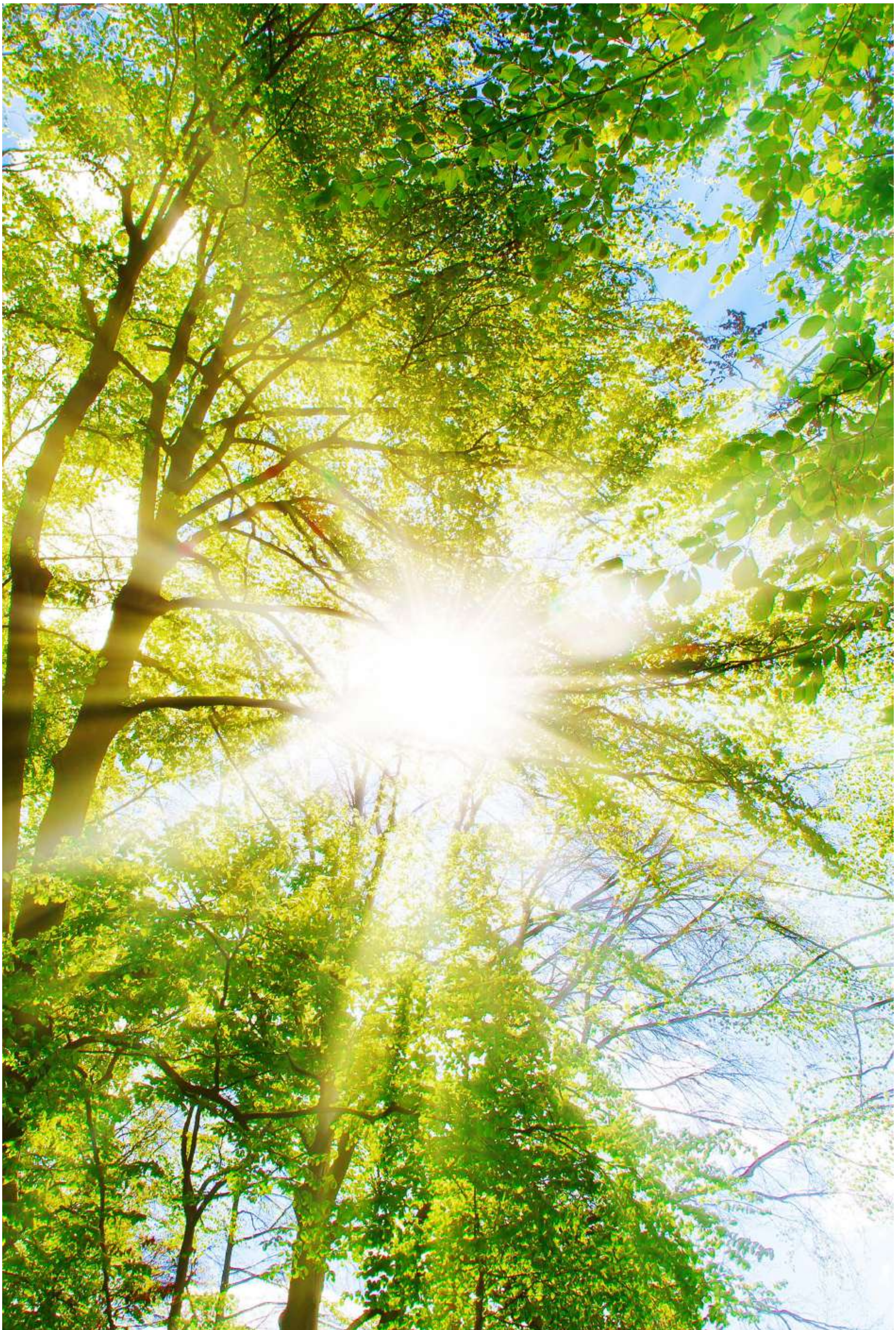
Goal	Target		Page
End poverty in all its forms everywhere	1.4	By 2030,ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services including microfinance	46, 52
End hunger and achieve food security and improved nutrition and promote sustainable agriculture	2.3	By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and nonfarm employment.	64
Ensure inclusive and equitable quality education, and promote lifelong learning opportunities for all	4.4	By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.	85
Achieve gender equality and empower all women and girls	5.5	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision- making in political, economic and public life.	91
	5.a	Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance, and natural resources in accordance with national laws.	63
Ensure access to affordable, reliable, sustainable and modern energy for all	7.2	By 2030, increase substantially the share of renewable energy in the global energy mix.	103
	7.3	By 2030, double the global rate of improvement in energy efficiency.	102, 104
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.2	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour intensive sectors	44
	8.3	Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalization and growth of micro-, small- and medium-sized enterprises including through access to financial services.	64
	8.8	Protect labour rights and promote safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment.	88
	8.10	Strengthen the capacity of domestic financial institutions to encourage and to expand access to banking, insurance and financial services for all.	62
Make cities and human settlements inclusive, safe, resilient and sustainable	11.1	By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums	53, 102
	11.4	Strengthen efforts to protect and safeguard the world's cultural and natural heritage.	67
Ensure sustainable consumption and production patterns	12.5	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	106
Take urgent action to combat climate change and its impacts	13.1	Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.	62, 103
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	16.4	By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime.	96
	16.5	Substantially reduce corruption and bribery in all their forms.	76
Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.			67



INDEPENDENT AUDITORS' REPORT

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Independent auditors' report on the consolidated disclosure of non-financial information in accordance with article 3, par. 10, of Legislative Decree 254/2016 and with article 5 of Consob Regulation adopted with Resolution n. 20267 of January 18, 2018 (Translation from the original Italian text)

To the Board of Directors of
Crédit Agricole Italia S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter, the "Decree") and article 5 of Consob Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Crédit Agricole Italia S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended on December 31, 2019 in accordance with article 4 of the Decree approved by the Board of Directors on April 6, 2020 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI – Global Reporting Initiative ("GRI Standards"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by the law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, paragraph 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

EY S.p.A.
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Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the Crédit Agricole Italia Group's consolidated financial statements;
4. understanding of the following aspects:
    - Group's management and organization business model, with reference to the management of the topics indicated in the article 3 of the Decree;
    - policies adopted by the Group related to the topics indicated in the article 3 of the Decree, results achieved and related key performance indicators;
    - main risks, generated or suffered related to the topics indicated in the article 3 of the Decree.

    With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.
5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.
    In particular, we have conducted interviews and discussions with the management of Crédit Agricole Italia S.p.A. and with the personnel of Crédit Agricole FriulAdria S.p.A., Crédit Agricole Leasing Italia S.r.l. and Crédit Agricole Group Solutions S.C.p.A. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

    Furthermore, for significant information, considering the Group activities and characteristics:
    - at Group level:

a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;

b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.

- for the entities Crédit Agricole Italia S.p.A. and Crédit Agricole Leasing Italia S.r.l, based on their relevance to the consolidated performance indicators, we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Crédit Agricole Italia Group for the year ended on December 31, 2019 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Milan, April 6, 2020

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

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

CONTACT DATA

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Registered Office Via Università, 1 – 43121 Parma, Italy, Phone: +39.0521.912111
Share Capital: Euro 979,234,664.00 fully paid in – Entered in the Business Register of Parma, Italy.
Tax ID and VAT No. 02113530345 Italian Banking Association (ABI) Code 6230.7 Entered in the Italian Register of Banks at No. 5435. Member of the Italian Interbank Deposit Protection Fund and of the Italian National Compensation Fund. Parent Company of the Crédit Agricole Italia Banking Group entered in the Italian Register of Banking Groups at No. 6230.7 – The Company is subject to the management and coordination of Crédit Agricole S.A.

CRÉDIT AGRICOLE