ANNUAL REPORT AND FINANCIAL STATEMENTS

2018

CRÉDIT AGRICOLE

Crédit Agricole Italia Banking Group

Annual Report and Financial Statements

2018

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Letter from the Chairman

In a macroeconomic environment that continues to be characterised by increasing uncertainty outlook, in 2018 the Italian economy continued to grow, even though at a slower pace than in 2017, thus proving that fundamentals are still strong. Despite slowing down in the second half of the year, the GDP grew by +0.8% and the labour market gave positive signs, with the unemployment rate going down.

The Italian banking system is stronger than in the past, because it has increased its resilience to severe economic shocks and impacts on capital, as shown by the favourable results of the stress test exercise carried out by the EBA; furthermore, asset quality has markedly improved, with a strong decrease in non-performing loans and a concomitant increase in the coverage ratio. Nevertheless, the scenario uncertainty has negatively impacted banking stock prices, which decreased by over 30%. Moreover, regulatory developments and the competition from non-banking players are increasingly requiring transformation of the business model and a different way of interacting with customers, which goes well beyond the provision of financial services.

In this scenario, the **Crédit Agricole Italia Banking Group** did stand out, as it closed the 2018 financial year with still better performances. Net income came to euro 274 million, up by 10% vs. 2017. 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 793 million, up to +8% YOY.

The Bank's loan showed a considerable increase of +6% YOY, driven both by home loans and by loans to businesses; asset management also increased by +3% YOY, with a positive contribution of all business lines, in spite of the unfavourable performance of markets. Evidence of strong commercial effectiveness is the acquisition of **140 thousand new customers**, with an increasing contribution of the digital channel and the development of the in-house network of financial advisors. The implemented strategy was based on three scopes: continuous support to **households**, with home loans up by over +10% and consumer credit intermediation volumes up by 33%; support to the economy with loans to **businesses** up by +4%, with specific focus on the segments that are key for the Group, such as the **Agri-Food** one; development in asset management driven by higher distribution of insurance products (up by +19%).

These performances were achieved paying special attention to improving asset quality: the NLP stock strongly decreased (down by -37% YOY), based on an NPL sale plan for a gross amount of euro 1.4 billion, and with the concomitant increase in the coverage ratio of non-performing loans. The liquidity position remained well above the regulatory requirements and capital strength proved once again more than adequate.

2018 was an important year not only in terms of performances, but also for the integration of the Rimini,

Cesena and San Miniato savings banks, which had been acquired at the end of 2017. A successful path that ended with their merger into the Parent Company Crédit Agricole Italia and with their full business revival.

In line with the business plan ambitions, in the last three years investments were made for over euro **350 million**, aimed at supporting the Group's growth through customer centrality and attention to people. Furthermore, important projects were started with the objective of making the **bank 100% human and 100% digital**, through the evolution of multichannel tools and the development of innovative models to share and create business.

Along with the above projects, actions were implemented to enhance operational efficiency, to rationalize and transform physical structures, which also led to the opening of important hubs throughout Italy. Among these, worth mentioning are the hubs in Verona, Genoa and Salerno, as well as the opening, in Milan, of the first **Village** of Crédit Agricole in Italy, a Start-Up accelerator dedicated to business innovation, sharing and creation.

The event that made 2018 a special year was the opening of **Crédit Agricole Green Life**. The new headquarters of the Banking Group in Parma were built thanks to an investment of euro 50 million, house over 1500 colleagues in a state-of-the-art environment that features innovative work arrangements (such as smart-working) and is environmentally sustainable and technologically innovative to the highest standard.

The above reported actions were born of the enhancement of people and areas where the Group operates, two of the core purposes that have always guided our Group. Therefore, it was no coincidence that, in 2018 alone, **200 new resources** were recruited, 70% of whom are young people, and that actions were implemented aimed at improving worklife balance and at enhancing the role of women in the company. Tangible commitments that go along with the many initiatives that were supported working side by side with players strongly rooted in the communities, especially the **Foundations**, which led to donations of euro 5 million.

The 2018 Annual Report gives evidence of the Group's importance for the Italian economy. Continuous investments, focus on innovation and our international identity guarantee constant growth also in the years to come, relying on the trust that our customers place in us and on the commitment of all the people working within our very sound company.

The Chairman
Ariberto Fassati

Governing, Control Bodies and Independent Auditors

Board of Directors

CHAIRMAN

Ariberto Fassati

DEPUTY-CHAIRMAN

Xavier Musca

Fabrizio Pezzani (*)

CHIEF EXECUTIVE OFFICER

Giampiero Maioli (*)

DIRECTORS

Gian Domenico Auricchio (*)

Alberto Bertoli (°)

Evelina Christillin (°)

François-Edouard Drion (*)

Jacques Ducerf

Daniel Epron

Alberto Figna (°)

Nicolas Langevin

Michel Mathieu

Thierry Pomaret (*)

Annalisa Sassi (°)

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

Board of Statutory Auditors

CHAIRMAN

Paolo Alinovi

STANDING AUDITORS

Luigi Capitani

Maria Ludovica Giovanardi

Stefano Lottici

Germano Montanari

ALTERNATE AUDITORS

Alberto Cacciani

Roberto Perlini

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 of the Crédit Agricole Italia Banking Group

As set forth in the "Statement of compliance with the International Accounting Standards", the Crédit Agricole Italia Banking Group, consistently with the choices made by Crédit Agricole SA., has excercised the option envisaged in the IFRS 9 and IFRS 1, not to restate the comparison figures related to the IFRS 9 first-time adoption financial statements.

Income Statement data (thousands of euro)	2018	2017	2016
Net operating revenues	1,937,971	1,711,188	1,712,290
Operating margin	664,527	666,172	651,755
Net profit (loss)	273,898	690,240[*]	208,124

Balance Sheet data (thousands of euro)	2018	2017	2016
Loans to customers [**]	51,001,282	44,251,456	38,209,279
Of which securities measured at amortized cost	4,985,559		
Funding from customers	48,159,170	50,358,320	39,892,679
Indirect funding from customers	63,477,921	64,172,911	64,892,521

Operating structure	2018	2017	2016
Number of employees	9,878	10,271	8,268
Number of branches	984	1,015	815

Profitability, efficiency and credit quality ratios	2018	2017	2016
Cost [°] /income ratio	63.6%	57.6%	56.3%
Net profit/Average equity (ROE) [a]	4.6%	4.6%	4.2%
Net profit/Average Tangible Equity (ROTE) [a]	6.9%	7.2%	6.7%
Net non-performing loans/Net loans to customers	3.8%	7.6%	7.6%
Total adjustments of non-performing loans/Gross non-performing loans	52.5%	44.9%	42.2%

Capital ratios	2018	2017	2016
Common Equity Tier 1 ratio	11.2%	11.6%	11.4%
Tier 1 ratio	13.8%	12.8%	11.8%
Total capital ratio	16.8%	15.1%	13.3%

[*] The net profit takes account of the badwill and integration expenses resulting from the Fellini Banks
[**] This item reports debt securities and loans in the amortized cost portfolio. Previously, this item reported financial assets that were not listed on an active market (Level 2 and Level 3) to customers
[°] Ratio calculated excluding ordinary and extraordinary contributions given to support the banking system
[a] For the figure as at 31 Dec. 2017, the item used was net "operating" earnings

Significant events

JANUARY

Crédit Agricole Italia successfully launched its first public issue in Italy of covered bonds with 20 year maturity for euro 500 million..

FEBRUARY

For the 10th year in a row, the Crédit Agricole Italia Banking Group was awarded the Top Employers certification

MARCH

The Crédit Agricole Italia Banking Group won the title of "Highest Climber" for having climbed up the highest number of positions in the Potential-Park 2018 list on Digital Talent Communication, which assessed the ability and effectiveness of companies in communicating and proving attractive on the web to look for candidates and to attract young talents.

JUNE

Crédit Agricole Green Life - the new headquarters of the Group - opened, which embody an innovative approach to worklife and to welcoming its stakeholders.
The complex is environmentally sustainable and technologically advanced at the highest standard and it can house approximately 1,500 employees.

The Crédit Agricole Italia Banking Group won a prize within the Private Banking and Wealth Management Award, the annual event organized by AIFin in order to analyze the trends and prospects for Private Banking. The Group ranked first for the Private Banking Division of Commercial Banking for "Soluzione Valore Plus", the customized advisory services that have been designed for Private Banking customers.

At the 16th Milano Finanza Global Awards, dedicated to the Italian lending and financial industry, the Crédit Agricole Italia Banking Group was awarded the Leone d'Oro Prize for the Best Institutional Campaign. The Group also performed very well in the Value Creators category, where Crédit Agricole FriulAdria was elected the Best Bank in the Friuli Venezia Giulia Region and Crédit Agricole Carispezia the Best Bank in the Liguria Region.

Merger by absorption of Cassa di Risparmio di San Miniato into Crédit Agricole Italia

JULY

The partnership between Crédit Agricole and the University of Parma started and, far from being simply a dedicated range of banking products and services, is a true value proposal to the community.

The Crédit Agricole Italia Banking Group became the Official Bank and Top Partner of F.C. Internazionale Milano. Merger by incorporation of Cassa di Risparmio di Cesena into Crédit Agricole Italia.

SEPTEMBER

Merger by absorption of Cassa di Risparmio di Rimini into Crédit Agricole Italia.

Giampiero Maioli, the CEO of the Crédit Agricole Italia Banking Group and Chief Country Officer of Crédit Agricole in Italy, was invested with the title of Chevalier dans l'ordre de la Légion d'Honneur by Christian Masset, the Ambassador of France to Italy, during a ceremony held at Palazzo Farnese, the seat of the French embassy in Rome.

OCTOBER

An important agreement was signed by and between Crédit Agricole and Barilla, the forerunner in Italy of supply chain agreements for high-quality and sustainable durum wheat. Thanks to its signing, the 5,000 farms supplying this raw material will be able to directly access dedicated banking services and loans.

Crédit Agricole Corporate and Investment Bank launched its first green investment solution for the customers of the Crédit Agricole Italia Banking Group.

The Crédit Agricole Italia Banking Group was awarded AIFIn first price "2018 CSR-Sustainability Prize", in the Banks category, and a mention of merit for the FReD VOLONTARI DI VALORE project, carried out in cooperation with Legambiente.

The Crédit Agricole Italia Banking Group launched the new instant payments service, which can be used directly through Internet Banking and with the Mobile Banking app. All holders of current accounts with one of the Banks of the Group can send and receive instant credit transfers directly on their PCs, smartphones and tablets through Nowbanking in its desktop, app and mobile-responsive versions.

NOVEMBER

The Plan of merger of Crédit Agricole Carispezia into Crédit Agricole Italia was approved. The merger is going to result in additional new other synergies for the Banking Group and in higher operational efficiency, thanks to the streamlining of its corporate structure and decision-making processes and is going to generate no impact no impact on employment levels.

DECEMBER

Relying on long-standing experience in France, Le Village by CA opened its doors for the first time in Italy, in Milan, in a bewitching setting, a former convent dating back to 1400. Le Village by Crédit Agricole supports young businesses with high innovation and growth potential through a cooperative system comprising public and private partners. The startups that decide to join the Village can access, at favourable economic terms and conditions, the infrastructure they need for their business operations, state-of-the-art technology environments that include closed offices, co-working areas, meeting and conference rooms.

The Crédit Agricole Group

No.1 BANCASSURER IN EUROPE

No.1 ASSET MANAGER IN EUROPE

No.1 GREEN SOCIAL AND SUSTAINABILITY BOND BOOKRUNNER

KEY FIGURES IN 2018

51 MILLION
CUSTOMERS

47
COUNTRIES

141,000
STAFF MEMBERS

6.8 BLN €
UNDERLYING NET INCOME

106.7 BLN €
EQUITY - GROUP SHARE

15%
FULLY LOADED CET 1 RATIO

RATING

S&P Global Ratings	Moody's	Fitch Ratings	DBRS
A+	A1	A+	AA (low)

The Crédit Agricole Group
in Italy

No.2
CONSUMER CREDIT
PLAYER
IN ITALY

No.3
ASSET
MANAGER
IN ITALY*

KEY FIGURES IN 2018

4 MILLION
CUSTOMERS

15,000
STAFF MEMBERS

793 MLN €
NET INCOME -
GROUP

3,5 BLN €
SHARE NET OPERATING
REVENUES

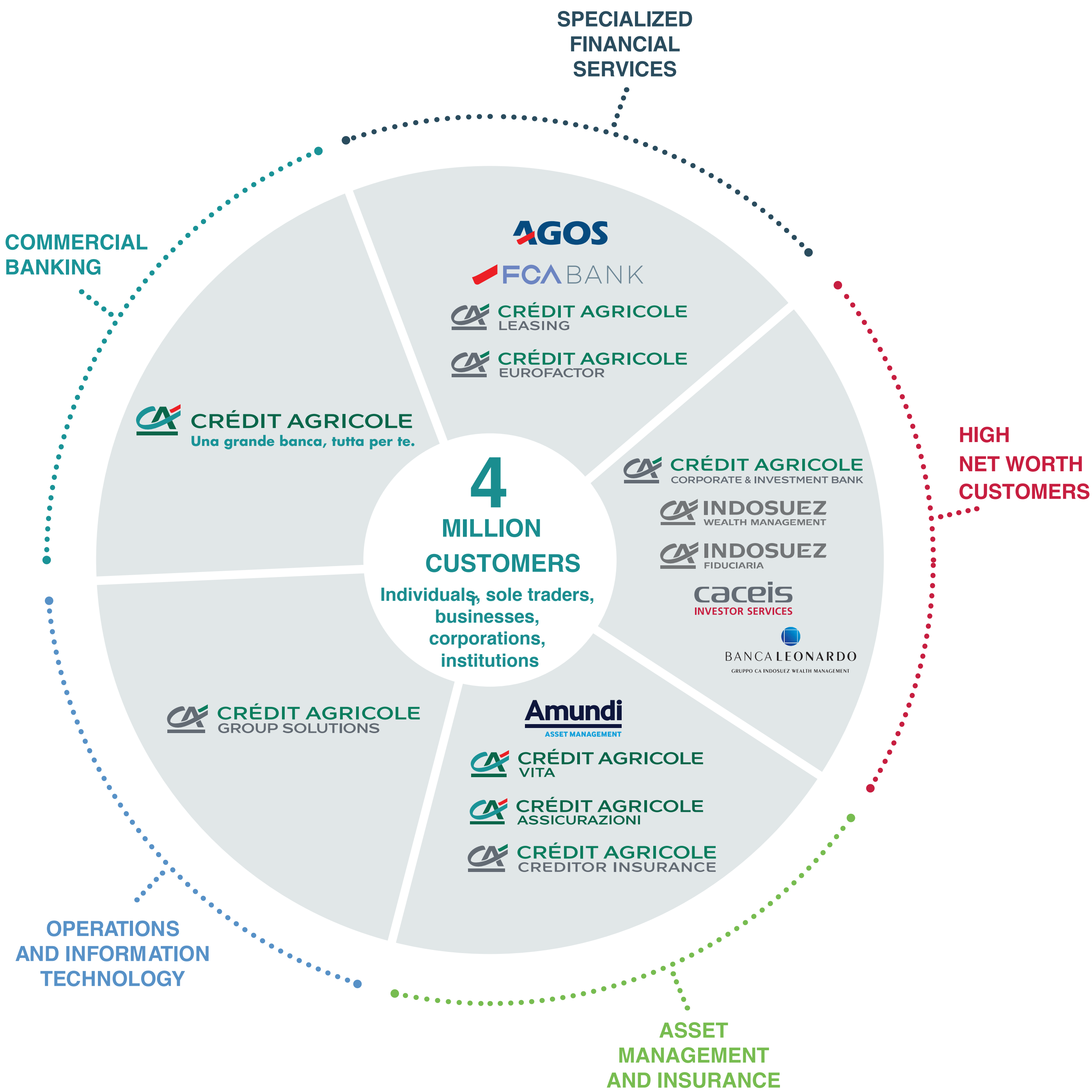
250 BLN €**
CUSTOMERS' DEPOSITS
AND FUNDS UNDER
MANAGEMENT

67 MLD €
LOANS
TO CUSTOMERS

* Source: Assogestioni, "Mappa trimestrale del Risparmio Gestito", 3Q 2018. Data gross of duplications.

** Including "out-of-Group" Amundi AuM, CACEIS Assets under Custody

The Group's operations
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.

CRÉDIT AGRICOLE
Una grande banca, tutta per te.

RETAIL BANKING
984 BRANCHES AND
61 SMALL BUSINESS
CENTERS

PRIVATE BANKING
25 MARKETS AND
12 SUB-CENTERS

PRIVATE BANKING
25 MARKETS
AND 14 SUB-CENTERS,
1 LARGE CORPORATE

FINANCIAL ADVISORS
11 MARKETS

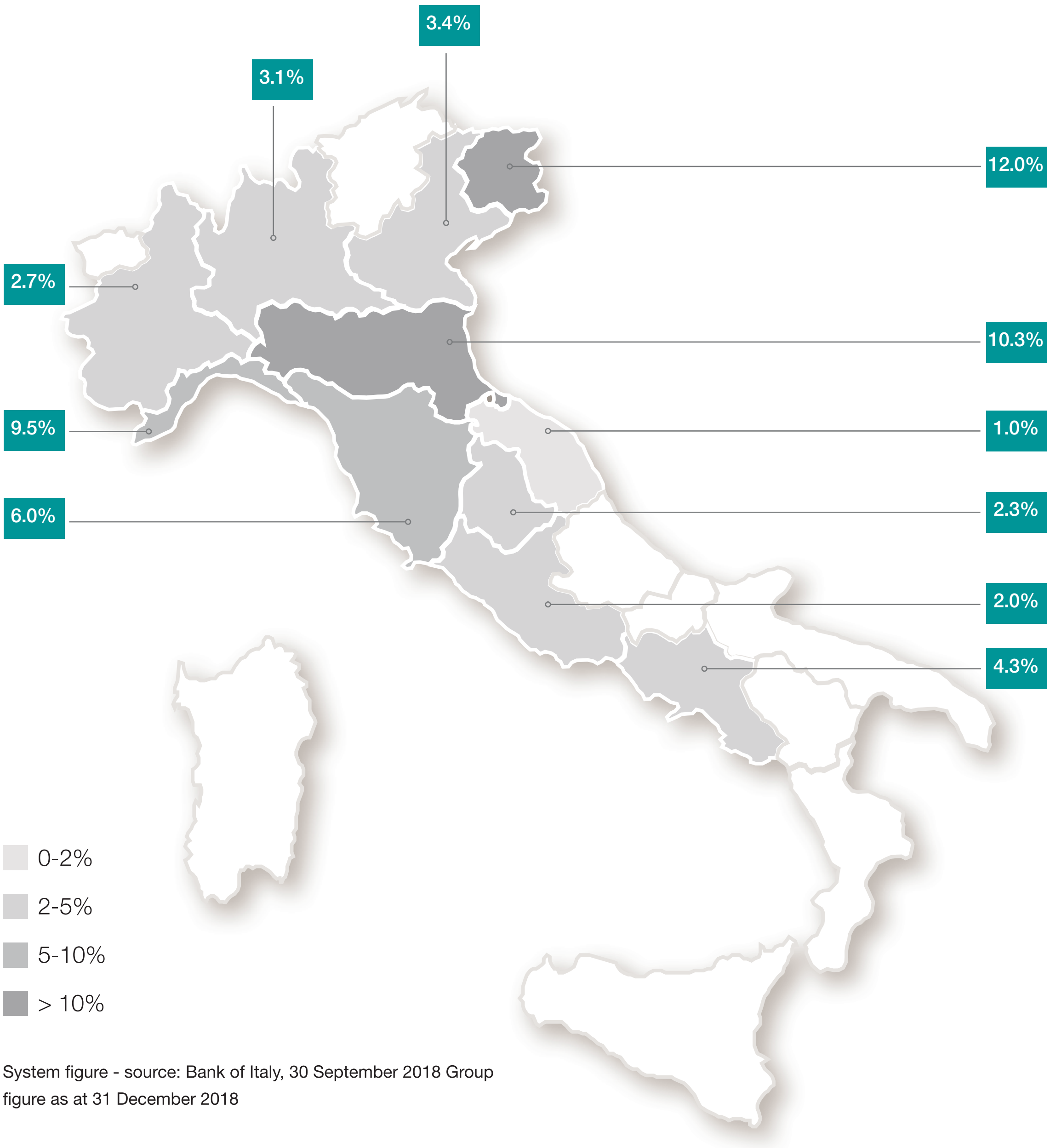
Market shares
by Region

OVER
2 MLN
customers

OVER
1,100
POINT OF SALE

APPROX.
10,000
STAFF MEMBERS

OVER
46 BLN €
TOTAL
LOANS



System figure - source: Bank of Italy, 30 September 2018 Group figure as at 31 December 2018

CRÉDIT AGRICOLE CARIPARMA

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

827 POINT OF SALE	36.1 bln € WORTH OF LOANS	91.9 bln € WORTH OF TOTAL FUNDING

CRÉDIT AGRICOLE FRIULADRIA

In 2007, Crédit Agricole FriulAdria became part of the Group, with the objective of expanding its operations to cover the entire Triveneto Region. It has **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**.

207 POINT OF SALE	7.5 bln € WORTH OF LOANS	15.4 bln € WORTH OF TOTAL FUNDING

CRÉDIT AGRICOLE CARISPEZIA

Carispezia, one of the **oldest savings banks in Italy**, joined the Group in 2011. It is the market leader in its original provinces of operation, La Spezia and Massa Carrara; since 2014 it has been operating also in the provinces of Genoa, Savona and Imperia.

99 POINT OF SALE	2.8 bln € WORTH OF LOANS	6.9 bln € WORTH OF TOTAL FUNDING

CRÉDIT AGRICOLE LEASING

Crédit Agricole Leasing Italia operates in the equipment, seacraft and aircraft, vehicle, renewable energy and real estate leasing segments. **At the end of 2018, 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

Annual Report and Consolidated Financial Statements

2018

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Group financial highlights and ratios

As set forth in the "Statement of compliance with the International Accounting Standards", the Crédit Agricole Italia Banking Group, consistently with the choices made by the Crédit Agricole Group, has opted to exercise the option provided for by IFRS 9 and IFRS 1, not to restate the comparative figures included in the IFRS 9 first-time adoption annual report.

Income Statement highlights (°) (thousands of euro)	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
Net interest income	990,512	915,676	74,836	8.2
Net fee and commission income	898,245	760,307	137,938	18.1
Dividends	12,614	8,839	3,775	42.7
Income from banking activities	34,705	41,391	-6,686	-16.2
Other operating income (expenses)	1,895	-15,025	16,920	
Net operating income	1,937,971	1,711,188	226,783	13.3
Operating expenses	-1,273,444	-1,045,016	228,428	21.9
Operating margin	664,527	666,172	-1,645	-0.2
Cost of Risk	-241,408	-354,104	-112,696	-31.8
Of which net value adjustments of loans	*-260,194*	*-295,885*	*-35,691*	*-12.1*
Profit for the period(#)	273,898	690,240	-416,342	-60.3

Balance Sheet highlights (°) (thousands of euro)	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
Loans to customers (*)	51,001,282	44,251,456	6,749,826	15.3
Of which securities measured at amortized cost	*4,985,558*		*n.a*	*n.a*
Net financial assets/liabilities measured at fair value	51,642		n.a	n.a
Financial assets measured at fair value through other comprehensive income	3,260,746		n.a	n.a
Investments held to maturity		2,234,277	n.a	n.a
Financial assets available for sale		5,344,090	n.a	n.a
Equity investments	27,755	33,868	-6,113	-18.0
Property, plant and equipment and intangible assets	2,783,987	2,797,622	-13,635	-0.5
Total net assets	60,138,935	59,400,307	738,628	1.2
Net financial liabilities/assets measured at fair value	-	67,102	-67,102	-100.0
Net financial liabilities/assets held for trading		1,569	n.a	n.a
Funding from customers	48,159,170	50,291,118	-2,131,948	-4.2
Indirect funding from customers	63,477,921	64,172,911	-694,990	-1.1
of which: asset management	*34,366,212*	*33,632,942*	*733,270*	*2.2*
Net Loans to banks (^)	2,492,554	-178,795	2,671,349	
Equity	6,193,214	6,114,634	78,579	1.3

Operating structure	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
Number of employees	9,878	10,271	-393	-3.8
Average number of employees (§)	9,452	9,755	-303	-3.1
Number of branches	984	1,015	-31	-3.1

(°) The income statement and balance sheet data are those restated in the reclassified financial statements on pages 27 and 38
(*) This item reports debt securities and loans in the amortized cost portfolio. Previously this item reported financial assets not listed on an active market (Level 2 and Level 3) to customers
(^) The 2017 "Net oans to banks" item was reclassified (asset mismatch) for smoothing with 2018 (liability mismatch)
(§) 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 has been conventionally weighted at 50%
(#) The profit for FY as at 31 Dec. 2017 takes account of the badwill and integration expenses regarding the Fellini Banks

Structure ratios (*)	31 Dec. 2018	31 Dec. 2017
Loans to customers/Total net assets	76.5%	74.5%
Direct funding from customers/Total net assets	80.1%	84.7%
Asset management/Total indirect funding from customers	54.1%	52.4%
Loans to customers/Direct funding from customers	95.5%	88.0%
Total assets/Equity	10.3	10.9

Profitability ratios (*)	31 Dec. 2018	31 Dec. 2017
Net interest income/Net operating income	51.1%	53.5%
Net fee and commission income/Net operating income	46.3%	44.4%
Cost (°) / income ratio	63.6%	57.6%
Net income/Average equity (ROE) [a]	4.6%	4.6%
Net income/Average Tangible Equity (ROTE) [a]	6.9%	7.2%
Net profit/Total assets (ROA)	0.4%	1.0%
Net profit/Risk-weighted assets	1.0%	2.5%

Risk ratios (*)	31 Dec. 2018	31 Dec. 2017
Gross bad loans/Gross loans to customers	4.2%	6.3%
Net bad loans/Net loans to customers	1.4%	2.7%
Gross non-performing exposures/Gross loans to customers (gross NPE ratio)	7.6%	10.9%
Impairments of loans/Net loans to customers (°)	0.6%	0.7%
Cost of risk[b]/Operating margin	36.3%	53.2%
Net bad loans/Total Capital [c]	13.5%	28.5%
Net non-performing loans/Net loans to customers	3.8%	7.6%
Total Impairments of non-performing loans/Gross non-performing loans	52.5%	44.9%

Productivity ratios (*) (in income terms)	31 Dec. 2018	31 Dec. 2017
Operating expenses/No. of employees (average)	135	128
Operating income/No. of employees (average)	205	207

Productivity ratios (in financial terms)	31 Dec. 2018	31 Dec. 2017
Loans to customers/No. of employees (average)	4,868	4,455
Direct funding from customers/No. of employees (average)	5,095	5,064
Gross banking income[f]/No. of employees (average)	16,680	15,980

Capital and liquidity ratios	31 Dec. 2018	31 Dec. 2017
Common Equity Tier 1[d] /Risk-weighted assets (CET 1 ratio)	11.2%	11.6%
Tier 1[e]/Risk-weighted assets (Tier 1 ratio)	13.8%	12.8%
Total Capital [c]/Risk-weighted assets (Total Capital Ratio)	16.8%	15.1%
Risk-weighted assets (euro thousands)	27,842,151	27,839,234
Liquidity Coverage Ratio (LCR)	148%	197%

(*) The ratios are based on the balance sheet and income statement data of the reclassified financial statements on pages 27 and 38
(°) Ratio calculated excluding ordinary and extraordinary contributions given to support the banking system
[a] The ratio of net earnings to the equity weighted average (for ROTE net of intangibles); for the figure as at 31 Dec. 2017 net “operating” earnings were used
[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: CET 1
[e] Tier 1: Tier 1 Capital
[f] Loans to customers + Direct Funding + Indirect Funding

Management Report to the Consolidated Financial Statements

THE MACROECONOMIC SCENARIO AND THE FINANCIAL SYSTEM

THE INTERNATIONAL MACROECONOMIC SCENARIO IN 2018[1]

At the beginning of 2018 the world economy showed momentum and, in the first months of the year, international trade grew vs. the slowdown in 2016 and mid-2017. The **USA budgetary policy and the budgetary and monetary policies of China** were the foundations for the good growth of these economies' GDPs in the summer months.

However, **in the last few months a forthcoming slowdown was increasingly perceived**, although, in the third quarter, the decrease in the GDP growth and in world trade was modest. Many emerging countries involved in the tensions on exchange rates experienced slower activities, contributing to the slowdown in world trade. **This slowdown impacted more on the Euro Area** than on other Countries. The EMU slowed down considerably, with the GDP growing by no more than +1.6% in the third quarter, vs. +2.3% in the first part of the year.

The trade tensions between the USA and China and, in general, the development of the USA trade policy represented one the most material risks in the international scenario. They fuelled uncertainty on businesses' development prospects as the present value chains could change generating negative effects both for the Countries that have considerable trade exchanges with the USA, and for those with modest direct exchanges. Trade tensions went along with political uncertainty caused by Brexit and by the negotiations between the EU and the Italian Government on the budget law.

In 2018, the **world gross world product increased by +3.7%**, remaining stable vs. the previous year. Overall, the world economy is in transition: **the economy is slowing down, but to a modest extent at a global level**.

Monetary policies

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

- the **Federal Reserve** continued with its policy for the increase of interest rates, which started in 2015, with four rate increases in 2018 (March, June, September and December) of 0.25 points each, thus taking the Fed Funds rates within a 2.25%-2.50% range;
- the **European Central Bank** confirmed the Quantitative Easing termination, tapering down the monthly purchases from 30 to 15 billion, effective from October and up to the end of December 2018. Furthermore, in January, it decided to leave interest rates unchanged: on the main refinancing operations at 0.00%, on the marginal lending facility at 0.25% and on the deposit facility at -0.40%;
- the **Bank of England**, subsequent to the increase in uncertainty caused by Brexit, in December 2018 decided to leave the interest rate unchanged at 0.75% and confirmed that the increase in rates will have to be "gradual".

1 Source: Prometeia, Forecast Repost (December 2018).

Main economies

The different geographical areas showed different growth rates:

- the **United States** continued to grow, with the GDP coming to +2.9% at the end of the year, increasing from 2.2% of 2017, benefiting from an increase in domestic demand. The labour market improved, with the unemployment rate decreasing vs. 2017. Worth mentioning are the decrease in residential real estate investments and the higher uncertainty regarding trade policies;
- **Japan**: The GDP increased by +0.7%, markedly slowing down vs. +1.9% in 2017, with a general decrease in all demand components, but especially in investment in plants and machinery. This performance was heavily affected by natural disasters, such as the earthquakes in Hokkaido and Osaka, floods and typhoons, that interrupted production chains, transports and, consequently, exports;
- despite the slowdown expected at the beginning of the year, **China's** GDP posted a +6.6% increase vs. +6.8% in 2017, thanks to the continuous support of the national economic policy. Investments and production outlook were affected by unclear developments in foreign demand. Exports and imports continued, but it cannot be ruled out that this was the result of strategic choices of purchasing in advance (made both by China and by the USA) in order not to incur impending tariffs. Competitiveness of goods increased along with the progressive depreciation of the euro against the US Dollar;
- **India**'s GDP progressively increased: up by +7.8% vs. +6.4% in 2017. Domestic demand was stable thanks to private investments and to the impressive public expenditure, while real net exports remained negative. Consumption decreased due to the slowdown in agricultural income and acceleration in prices;
- the economy of **Brazil** grew by +1.2%, essentially in line with 2017 (1.1%). Stronger financial stability and lower political uncertainty did not prove sufficient to drive strong economic growth. The unemployment rate continued to progressively decrease and an overall stable inflation rate allowed the Central Bank to keep policy rates at 6.5%;
- **Russia**: The annual GDP grew by +1.6%, in line with 2017. The extension of sanctions affected economic players' confidence, which impacted on investments and caused capital outflows with subsequent depreciation of the Rouble. This fostered exports, with net exports remaining positive;
- the **United Kingdom**'s economy grew by +1.3% vs. +1.7% in 2017: both exports and domestic demand decreased vs. the previous year. As regards Brexit, after completing the first negotiation phase, the focus in on a possible deal for the UK exit from the EU.

EURO AREA

In the Euro Area, the slower growth in the **GDP, which, in 2018, came to +1.8%** vs. +2.5% in 2017, was the result of more limited development in demand, both domestic and foreign. The economic scenario was affected by modest international exchanges, political uncertainty, less favourable financial conditions and higher inflation. Although still high, economic players' confidence was affected by the above factors and, thus, resulted in lower spending decisions made by economic players.

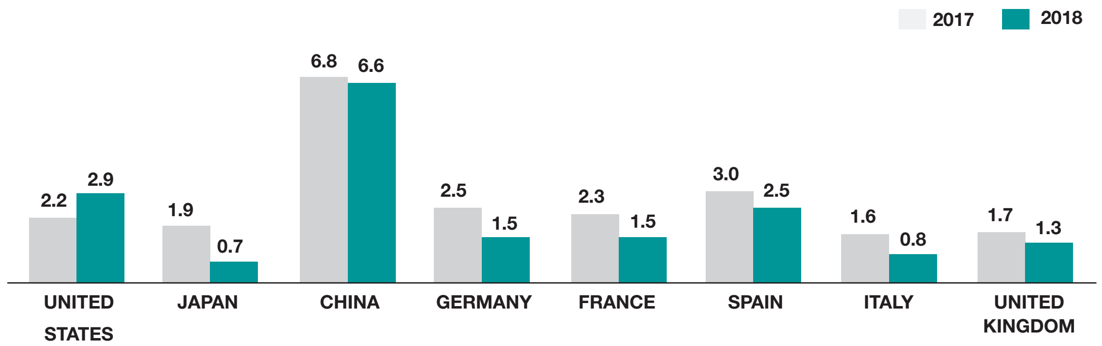
After being at the top between the end of 2017 and the beginning of 2018, business confidence progressively worsened during the year; this was caused, to a large extent, by the more pessimistic assessments of demand. Consumer confidence also decreased, reflecting especially fears about the labour market and economic outlook in the last months of the year.

Germany, after 8 years of continuous growth, slowed its pace in 2018, with the economy growing by +1.5% vs. +2.5% in 2017. This slowdown was caused by temporary factors linked to the automotive market, which weakened exports and private consumption. Investments continued to increase with acceleration in expenditure for capital goods and in residential investments.

In **France**, the GDP grew by +1.5% vs. +2.3% in 2017, driven by stable domestic demand and by the positive contribution of net exports. Private consumption was partly affected by the tax reform and by the increase in inflation on purchasing power in the first part of the year, while exports reflected the recovery in deliveries in the sea and air transport sector. The events occurred in the last part of the year, such as the protests against the increase in fuel prices, negatively impacted manufacturing output.

Spain proved again the top performer among the EMU largest economies, with the GDP growing by +2.5% vs. +3.0% in 2017. Domestic demand remained robust thanks to the favourable financial conditions and to the measures provided for by the 2018 Budget Law, which supported consumption and fostered its acceleration, as well as to residential investments that gained momentum. Exports were impacted by modest foreign demand and the contribution of international trade to economic growth remained negative.

GDP: % YOY change



Source: Prometeia - Brief, Italy in the global economy (February 2019).

THE ITALIAN ECONOMY

After closing 2017 with the GDP up by +1.6%, the highest growth in the last seven years, in 2018, within a general slowdown in the world cycle and increasing fears about future prospects, both domestic and foreign, Italy continued to grow, even though at a slower rate, with the GDP up by +0.8%. The growth was entirely achieved in the first part of the year, followed by an essentially stable second half.

One of the causes of this slowdown, shown also by the largest economies in the Euro Area, was lower **domestic demand**. Spending decisions of households and businesses were affected by domestic factors, such as the uncertainties on the economic policy of the new government and the subsequent increase in the spread. **Exports** experienced markedly lower growth in extra-EU markets, whereas this decrease was less considerable in EU Countries. The total contribution of exports (+1.0%) was lower than in the previous year (+6%).

In October, **Moody's** and **Standard & Poor's** assigned their ratings to Italy: the former downgraded its rating from Baa2 to Baa3, while S&P downgraded the outlook from "stable" to "negative"; before these two rating agencies, at the end of August, Fitch had already downgraded the previously "stable" outlook to "negative". Among the reasons for their ratings, both agencies mentioned the government's economic plan, which could weaken Italy's growth performances, and higher deficit prospects. Financial markets were impacted by these tensions, with the BTP-Bund spread that started to increase in early May and arrived above 300 basis points, reflecting the uncertainties about the budget law. As a direct consequence of Italy downgrading, Moody's assigned lower ratings also to various Italian banking groups.

In the first part of the year, overall consumer confidence[2] remained high; however, in last months of 2018, it progressively decreased with all its component worsening: the economic one, the personal one, the current one and the future one.

2 Source: ISTAT (the Italian National Institute of Statistics), Flash press release on Consumer and Business Confidence (December 2018)

Also the **Business Confidence Composite Index** started to worsen in July, going back to the 2016 levels. In In the manufacturing sector, the decrease in confidence reflects further worsening in demand assessments expecting slight growth and, in terms of sectors, a decrease in intermediate goods. The service sector also worsened with assessment of lower business performances and demand, whereas in the retail sector all the index components improved. In the building sector, both assessments on orders and employment expectations worsened.

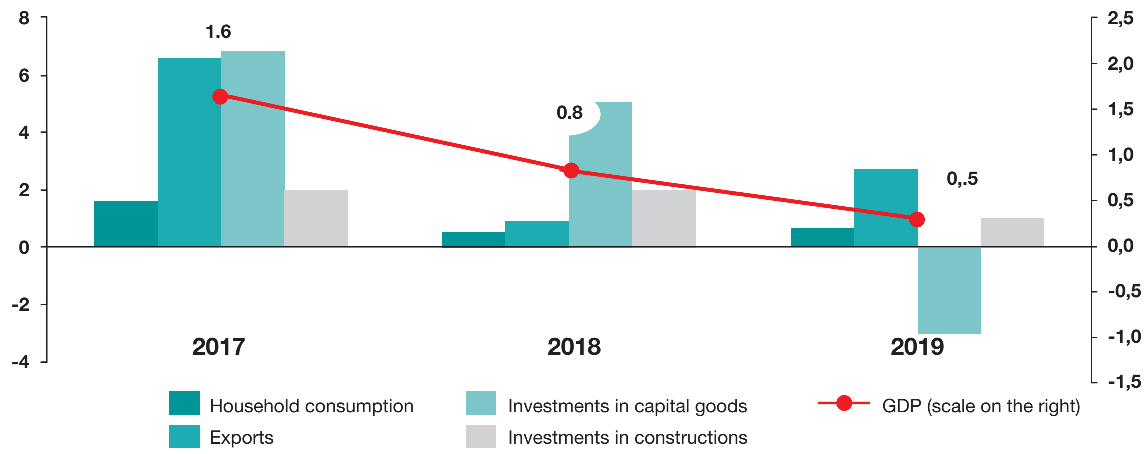
Total **investments** increased by **+4.1%**, essentially stable vs. the previous year. Although tax incentives remained, uncertainty prevailed, also as regards the new government's economic policy, which led to lower spending by businesses in capital goods. Investments in constructions proved again to be progressively increasing.

The annual **industrial output** decreased by -5.5%; as to trends[3], the related indices reported a marked decrease in consumer goods and intermediate goods; less marked decreases were reported in energy and capital goods.

The **unemployment rate**[4] continued to decrease: in December 2018, it came to 10.3% (youth unemployment to 31.9%); the number of employed persons increased (the employment rate came to 58.8%) thanks to the increase in employees with fixed-term contracts and in self-employed persons; the number of NEETs (young people not in employment, education or training) decreased (rate to 34.3%).

On average, in 2018 **consumer prices**[5] increased by 1.2%, with the same annual performance posted in 2017. "Core inflation", net of energy and fresh food products, was stable at +0.7%. Specifically, non-regulated energy products (home and automotive fuels) affected the performance of consumer prices.

Italy: GDP and its components



Source: Prometeia, Forecast Report (December 2018).

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

THE BANKING SYSTEM

After the 2017 results in the black, driven also by significant non-recurring components (badwill recognition and State contributions), in 2018 the **banking system** was impacted by the tensions in the market of government securities. Vulnerability, which started to increase in mid-May with the rumours on the government programme and continued to increase at the end of the summer when the cabinet's proposal were defined, **caused an increase in the spread, which negatively impacted the prices of Italian banks' shares**.

Nevertheless, the banking industry is stronger than it used to be, it is more capitalized, the asset quality has improved thanks to the considerable decrease in NPLs, funding is more stable and less expensive and operating costs are decreasing. **Capitalization proved again well above the supervisory and regulatory minimum levels**, but it decreased mostly due to the impacts generated by the first adoption of IFRS 9 and by the higher spread on Italian Government securities, which increased from approximately 130 bps at the beginning of April to over 300 bps in November.

Furthermore, in November the **EBA published the results of its stress test exercise**, which were very good for Italian banks, giving evidence that the efforts they made in the last few years to improve their capital basis have actually contributed to strengthening their resilience and ability to withstand severe economic shocks and material impacts on capital.

In 2018, there were several developments in the **legislation and regulatory scope**, specifically:

- as regards transparency and consumer protection, one of the most important asset management measures implemented in 2018 was the entry into force of **MiFID2** (Markets in Financial Instruments Directive) and of the **IDD2** (Insurance Distribution Directive);
- the **PSD2**, which concerns payment services, also entered into force and, among the many innovations introducedì, aims at fostering the entry of new players and the development of new business opportunities;
- In order to accelerate the already started reduction in banks' NPL stocks, **calendar provisioning** was implemented, with the statutory prudential backstop, presented in March by the European Commission, which introduced, among the measures for NPL management and reduction, common minimum loss coverage levels (first pillar) that mandatory for all the banks in the European Union;
- the publication by the European Central Bank of the final version of the **Addendum** to the Guidance to banks on new non-performing loans, whereby banks are required to increase and speed up provisioning for problem loans, up to 100% coverage in two years in case of unsecured positions, in seven years for positions secured by immovable property or other eligible collateral;
- **International Financial Reporting Standard 9 (IFRS9)**, which entered into force on 1 January 2018, entailed material changes in the classification, measurement and estimate of impairment of financial instruments. The First Time adoption of the new standard impacted on banks' equity.

In general, the new legislation has strengthened security and protection of investors.

The reform of the Italian cooperative banking system continued, with the definition of a new organizational structure aimed at ensuring higher integration of all the Cooperative Banks operating throughout Italy, which should result, starting from 2019, in the incorporation of three cooperative banking groups, two national ones led by Cassa Centrale Banca and Iccrea, and a provincial one led by Cassa Centrale Raiffesen.

In 2018, **the asset quality continued to improve** thanks to recovery processes and measures aimed at optimizing internal management of non-performing loans. The State Guarantee on Securitisation of Non-Performing Loans (Italian acronym GACS), which was extended to March 2019, made NPL sales easier: in 2018, NPLs were sold for a total gross amount of about euro 70 billion. The lower numbers of loans becoming non-performing have gradually reduced also the cost of risk.

Adjustments decreased, also subsequent to the adoption of the new IFRS9, which, in accordance with the First Time Adoption (FTA) scheme, allowed higher provisioning on the exposures being sold, through equity rather than through Profit or Loss, with phase-in, where the case, on the supervisory capital ratios.

As at the end of 2018, net **bad loans**[6] had decreased to euro 29.5 billion down by 54% vs. the end of the previous year. The weight of net bad loans on total loans came to 1.72%, decreasing from 3.70% recorded at the end of 2017.

6 Source: ABI Monthly Outlook (February 2019).

Loans to households and businesses increased by +2.2%[7] vs. the previous year. Mortgage loans continued to increase, as did loans to businesses even though to a lesser extent.

Interest rates on loans to customers in December 2018 were even **lower**: the average interest rate on total loans was 2.55%, yet another all-time low; interest rates on new home loans were slightly higher (1.94%), while interest rates on loans to business remained at very low levels (1.39%).

At the end of 2018, **direct funding** (deposits from resident customers and bonds) showed a slight decrease of -0.6% YOY. The medium/long-term funding component decreased, with bonds down by -15.4% on December 2017, with a concomitant increase in deposits (up by +2.2% YOY) or in asset management products, which proved more profitable for customers in a phase of interest rates at their all-time low.

The **yields** on **direct funding** progressively decreased: the average interest rate on funding was 0.66%, vs. 0.76% in 2017.

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 2018 it came to 189 basis points slightly increasing vs. 180 basis points in December 2017.

As regards the **asset management industry**[8], in 2018, a year featuring market uncertainty, total net funding came to euro 7 billion. The assets under management in this industry totalled euro 2,002 billion.

The banking system remained **profitable**, despite interest rates at their all-time low (average 3-month Euribor in December 2018 was -0.31%). Also in 2018 non-recurring income was recognised, albeit for a lower amount, mainly from disposal of problem loans management platforms, agreements for the distribution of insurance products and asset management, capital gains from the sale of owned property and other business units. **Operating expenses continued to decrease**, albeit at a slower pace than in 2017, subsequent to staff reduction and rationalization of physical structures. Conversely, regulatory and technology factors have been requiring higher investments and controls as regards digital operations.

The banking system's **net income** came to approximately euro 10 billion, decreasing vs. 2017, when non-recurring revenues gave a considerable contribution to profits.

PERFORMANCE OF OPERATIONS

In a macroeconomic scenario with sound fundamentals but featuring some uncertainty elements, the Crédit Agricole Italia Banking Group achieved net income of euro 274 million, increasing by +10% YOY vs. the 2017 operating profit (net of badwill), thanks to its business model that relies on the following pillars:

- constant financial support to households, with home loans increasing by over +10% and with consumer credit intermediation volumes up by +33%;
- support to the real economy with loans to businesses increasing by +4% YOY, with specific focus on strategic industries, such as Agri-Food up by +7% YOY, and the development of the supply chains in which Italian players are the best in class;
- asset management on the increase driven by new placements in the insurance segment (up by +19% YOY) and by the growing contribution given by the internal network of financial advisors, in a volatile market scenario with slowdown in performances;
- cooperation and synergies continuously increasing with all the companies of the Crédit Agricole Italia Group, in order to supply a wide and integrated range of products and innovative solutions to the advantage of all economic players.

Thanks to their full business and IT integration into the Parent Company Crédit Agricole Italia, full business revival could be achieved of the three Savings Banks of Rimini, Cesena and San Miniato, which had been acquired at the end of 2017, with strong increases in 2018 (the production of mortgage loans doubled from the first to the fourth quarter).

7 Source: ABI Monthly Outlook (January 2019).
8 Source: Assogestioni (the Italian National Association of Asset Management Firms), Asset Management Monthly Map (January 2019)

The virtuous cycle of effort has been continuing for asset quality improvement and decrease in the cost of credit: the NPL stock decreased by -37% YOY, in accordance with a derisking plan that provided for the disposal of NPLs for a gross amount of euro 1.4 billion, thus taking the weight of net non-performing loans to its lowest since 2010 (to 3.8%).

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.

As set forth in the "Statement of compliance with the International Accounting Standards", the Crédit Agricole Italia Banking Group, consistently with the choices made by the Crédit Agricole Group, has opted to exercise the option provided for by IFRS 9 and IFRS 1, not to restate the comparative figures included in the IFRS 9 first-tima adoption annual report.

Reclassified Consolidated Balance Sheet

Assets	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
Net financial assets/liabilities measured at fair value	51,641		n.a	n.a
Financial assets measured at fair value through other comprehensive income (IFRS 7, para. 8, letter h)	3,260,746		n.a	n.a
Financial assets available for sale		5,344,090	n.a	n.a
Investments held to maturity		2,234,277	n.a	n.a
Loans to customers	51,001,282	44,251,456	6,749,826	15.3
Equity investments	27,755	33,868	-6,113	-18.0
Property, plant and equipment and intangible assets	2,783,987	2,797,622	-13,635	-0.5
Non-current assets held for sale and discontinued operations	-	98	-98	-100.0
Tax assets	1,639,049	1,458,004	181,045	12.4
Other assets	1,374,475	3,280,892	-1,906,417	-58.1
TOTAL ASSETS	**60,138,935**	**59,400,307**	**738,628**	**1.2**

Liabilities	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
Net loans to banks	2,492,554	-178,795	2,671,349	
Funding from customers	48,159,170	50,291,118	-2,131,948	-4.2
Net financial liabilities/assets at fair value	-	67,102	n.a	n.a
Net financial liabi lities/assets held for trading		1,569	n.a	n.a
Tax liabilities	264,790	231,849	32,941	14.2
Other liabilities	2,319,377	2,028,268	291,109	14.4
Specific-purpose provisions	524,334	585,083	-60,749	-10.4
Capital	962,672	934,838	27,834	3.0
Equity instruments	715,000	365,000	350,000	95.9
Reserves (net of treasury shares)	4,383,825	4,143,497	240,328	5.8
Valuation reserves	-142,181	-18,941	123,240	
Equity attributable to minority interests	185,496	259,479	-73,983	-28.5
Net profit (Loss) for the year	273,898	690,240	-416,342	-60.3
TOTAL LIABILITIES AND EQUITY	**60,138,935**	**59,400,307**	**738,628**	**1.2**

Reconciliation of the official and reclassified balance sheets

Assets	31 Dec. 2018	31 Dec. 2017
Net financial assets/liabilities measured at fair value	**51,641**	
20 a. Financial assets held for trading	97,425	
20 b. Financial assets designated at fair value	-	
20 c. Financial assets mandatorily measured at fair value	27,731	
20. Financial liabilities held for trading	-73,515	
30. Financial liabilities designated at fair value	-	
Financial assets measured at fair value through other comprehensive income	**3,260,746**	
30. Financial assets measured at fair value through other comprehensive income	3,260,746	
Financial assets available for sale		**5,344,090**
40. Financial assets available for sale		5,344,090
Investments held to maturity		**2,234,277**
50. Investments held to maturity		2,234,277
Loans to customers	**51,001,282**	**44,251,456**
40 b. Loans to customers	51,001,282	44,251,456
Equity investments	**27,755**	**33,868**
70. Equity investments	27,755	33,868
Property, plant and equipment and intangible assets	**2,783,987**	**2,797,622**
90. Property, Plant and Equipment	847,790	838,358
100. Intangible assets	1,936,197	1,959,264
Tax assets	**1,639,049**	**1,458,004**
110. Tax assets	1,639,049	1,458,004
Non-current assets held for sale and discontinued operations	**-**	**98**
120. Non-current assets held for sale and discontinued operations	-	98
Other assets	**1,374,475**	**3,280,892**
10. Cash and cash equivalents	295,958	1,990,365
130. Other assets	463,033	694,075
50. Hedging derivatives (Assets)	575,331	570,367
60. Fair value change of financial assets in macro-hedge portfolios	40,153	26,085
TOTAL ASSETS	**60,138,935**	**59,400,307**

Liabilities	31 Dec. 2018	31 Dec. 2017
Net Loans to banks	**2,492,554**	**-178,795**
40 a. Loans to banks	-3,537,099	-7,059,113
10 a. Loans to banks	6,029,653	7,237,907
Funding from customers	**48,159,170**	**50,291,118**
10 b) Loans to customers	39,698,913	40,575,365
10 c) Debt securities issued	8,460,257	9,715,753
Net financial liabilities/assets at fair value	-	**67,102**
20. Financial liabilities held for trading	-	
30. Financial liabilities designated at fair value	-	
20 a. Financial assets held for trading	-	
20 b. Financial assets designated at fair value	-	
Financial assets mandatorily measured at fair value	-	
Net financial Liabilities/Assets held for trading		**1,569**
40. Financial liabilities held for trading		75,821
20. Financial assets held for trading		-74,252
Tax liabilities	**264,790**	**231,849**
60. Tax liabilities	264,790	231,849
Liabilities associated with non-current assets held for sale and discontinued operations	-	-
Other liabilities	**2,319,377**	**2,028,268**
40. Hedging derivatives (Liabilities)	564,549	527,675
50. Fair value change of financial liabilities in macro-hedge portfolios	361,962	373,754
80. Other liabilities	1,392,866	1,126,838
Specific-purpose provisions	**524,334**	**585,083**
90. Employee severance benefits	135,722	151,130
100. Provisions for risks and charges	388,612	433,953
Capital	**962,672**	**934,838**
170. Capital	962,672	934,838
Equity instruments	**715,000**	**365,000**
140. Equity instruments	715,000	365,000
Reserves (net of treasury shares)	**4,383,825**	**4,143,497**
150. Reserves	1,266,117	1,150,176
160. Share premium reserve	3,117,708	2,997,386
180 Treasury shares (+/-)	-	-4,065
Valuation reserves	**-142,181**	**-18,941**
120. Valuation reserves	-142,181	-18,941
Minority interests	**185,496**	**259,479**
190. Minority interests	185,496	259,479
Net Profit (Loss) for the period	**273,898**	**690,240**
200. Net profit (loss) for the period	273,898	690,240
TOTAL LIABILITIES AND EQUITY	**60,138,935**	**59,400,307**

Balance sheet aggregates

The changes occurred in 2018 in its balance sheet aggregates have allowed the Crédit Agricole Italia Banking Group to strengthen its role in supporting the real economy, while striving to always maintain good balance between funding and lending and while improving overall asset quality.

Loans to customers

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
- Current accounts	2,739,740	2,813,237	-73,497	-2.6
- Mortgage loans	28,110,213	27,165,159	945,054	3.5
- Advances and credit facilities	13,415,567	10,978,089	2,437,478	22.2
- Repurchase agreements	0	342,913	-342,913	
- Non-performing loans	1,750,204	2,785,831	-1,035,628	-37.2
Loans	**46,015,724**	**44,085,229**	**1,930,495**	**4.4**
Securities measured at amortized cost	4,985,558		n.a	n.a
Loans represented by securities		166,227	n.a	n.a
LOANS TO CUSTOMERS	**51,001,282**	**44,251,456**	**6,749,826**	**15.3**

As at 31 December 2018, loans to customers, net of debt securities, came to euro 46.0 billion, increasing by euro 1.9 billion (+4%); vs. the figure recalculated on 1 January 2018, in order to account for the first adoption of IFRS9, the increase is 6%.

Lending volumes continued to increase with constant focus on credit quality: net of repurchase agreements, performing loans increased by +8%; mortgage loans grew considerably, thanks to new home loans to households for over euro 3 billion (up by +18% vs. 2017), as did technical forms with shorter maturities, such as advances and credit facilities (up by +22%).

Non-performing loans decreased YOY by over euro 1 billion (down by -37%), thanks to the effective action to reduce the number of positions becoming non-performing, and thanks to the disposal of non-performing loans (Unlikely to Pay and Bad loans) for a total (gross) amount of approximately euro 1.4 billion. These disposal transactions fall within the scope of a wider strategy for the liquidation of non-performing loans, by structuring a competitive bidding process among investors that are specialized in this asset type, thus collecting the relevant cash flows earlier than with ordinary loan collection management.

Credit quality

Items	31 Dec. 2018			31 Dec. 2017		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
- Bad loans	2,003,316	1,370,074	633,242	2,950,066	1,754,196	1,195,870
- Unlikely to Pay	**1,635,482**	556,568	1,078,914	2,037,025	511,843	1,525,182
- Past-due/overlimit loans	42,616	4,568	38,048	72,590	7,810	64,779
Non-performing loans	**3,681,414**	**1,931,210**	**1,750,204**	**5,059,681**	**2,273,849**	**2,785,831**
Performing loans - stage 2	3,034,482	195,683	2,838,799			
Performing loans - stage 1	41,506,229	79,509	41,426,720			
Performing loans	**44,540,711**	**275,192**	**44,265,519**	**41,525,056**	**225,658**	**41,299,397**
Loans to customers	**48,222,125**	**2,206,402**	**46,015,723**	**46,584,737**	**2,499,508**	**44,085,229**
Securities measured at amortized cost	4,990,406	4,847	4,985,559			
Loans represented by securities				166,227		166.227
TOTAL	**53,212,531**	**2,211,249**	**51,001,282**	**46,750,964**	**2,499,508**	**44,251,456**

Items	31 Dec. 2018			31 Dec. 2017		
	Gross exposure weight	Net exposure weight	Coverage ratio	Gross exposure weight	Net exposure weight	Coverage ratio
- Bad loans	4.2%	1.4%	68.4%	6.3%	2.7%	59.5%
- Unlikely to Pay	3.4%	2.3%	34.0%	4.4%	3.5%	25.1%
- Past-due/overlimit loans	0.1%	0.1%	10.7%	0.2%	0.1%	10.8%
Non-performing loans	**7.6%**	**3.8%**	**52.5%**	**10.9%**	**6.3%**	**44.9%**
- Performing loans - stage 2	6.3%	6.2%	6.4%			
- Performing loans - stage 1	86.1%	90.0%	0.2%			
Performing loans	**92.4%**	**96.2%**	**0.6%**	**89.1%**	**93.7%**	**0.5%**
TOTAL	**100.0%**	**100.0%**	**4.6%**	**100.0%**	**100.0%**	**5.4%**

Thanks to the aforementioned actions, the weight of (gross) non-performing loans on total loans to customers decreased from 10.9% to 7.6%; concomitantly, subsequent to new provisioning in 2018, the coverage ratio of non-performing loans improved, up from 44.9% to 52.5%: specifically, the unlikely to pay coverage ratio increased to 34.0% (25.1% in 2017) and the one of bad loans to 68.4% (59.5% in 2017).

It is pointed out that, within the Fellini Project (the acquisition by Crédit Agricole Italia of CR San Miniato, CR Cesena and CR Rimini), at the time of their acquisition the acquired Banks had non-performing loans for a net amount of approximately euro 280 million (a gross amount of over euro 460 million). If these non-performing loans were recognised net of provisions, the coverage ratio of non-performing loans would came to about 50%.

Funding from customers

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
- Deposits	2,238,444	2,013,974	224,470	11.1
- Current and other accounts	37,224,843	38,262,415	-1,037,572	-2.7
- Other items	234,493	289,306	-54,813	-18.9
- Repurchase agreements	1,135	9,671	-8,536	-88.3
Loans to customers	**39,698,915**	**40,575,365**	**-876,450**	**-2.2**
Debt securities issued	**8,460,255**	**9,715,753**	**-1,255,498**	**-12.9**
Financial Liabilities measured at fair value (debt instruments)	**-**	**67,201**	**-67,201**	**-**
Total direct funding	**48,159,170**	**50,358,320**	**-2,199,150**	**-4.4**
Indirect funding	**63,477,921**	**64,172,911**	**-694,990**	**-1.1**
TOTAL FUNDING	**111,637,091**	**114,531,231**	**-2,894,207**	**-2.5**

In 2018, with interest rates at their all-time low, the funding strategy focused on controlling the cost of funding, achieved both by reducing the most costly components for the bank, such as bonds that it has issued and are held by retail customers (low rates have been causing customers to prefer products with possible higher yields, especially asset management products) and by curbing the "volatile" funding component, while continuing to have a more than satisfying liquidity position.

Furthermore, in order stabilize funding on long maturities and seizing the favourable market conditions in the first months of 2018, the Group increased funding by placing covered bonds with institutional investors for another euro 500 million, within the first issue in Italy with 20-year maturity. This issue has achieved very early completion of the funding plan for 2018.

Subsequent to the implementation of the aforementioned strategies, as at 31 December 2018 direct funding came to euro 48.2 billion, down by euro 2,2 billion (-4%), more markedly decreasing on the "Debt Securities Issued" component (-13%).

Indirect funding

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
- Asset management products	15,587,669	17,041,680	-1,454,011	-8.5
- Insurance products	18,778,543	16,591,262	2,187,281	13.2
Total assets under management	**34,366,212**	**33,632,942**	**733,270**	**2.2**
Assets under administration	**29,111,709**	**30,539,969**	**-1,428,260**	**-4.7**
INDIRECT FUNDING	**63,477,921**	**64,172,911**	**-694,990**	**-1.1**

At the end of 2018, indirect funding came to euro 63.5 billion, down by 1% YOY; this aggregate was affected by the adverse performance of markets, especially in the last months of the reporting year, which caused the assets held in the customers' portfolios to decrease by approximately euro 5 billion; net of such effect, indirect funding would have increased by 6%.

Asset management, which was driven by new production mostly with products with higher pension and social security contents, came to euro 34.4 billion, increasing vs. 2017 by 2% (+5% net of the market effect). Assets under administration came to euro 29.1 billion (down by -5% YOY) and, net of market effects, would have increased by +6% YOY.

Considering the aforementioned developments, total funding from customers as at 31 December 2018 came to euro 111.6 billion, down by 2.5% vs. 2017 (it would be up by +1.7% net of market effects).

Net interbank position

As at 31 december 2018, the net interbank position showed debt totalling euro 2.5 billion and comprised loans to central banks amounting to euro 4.4 billion for TLTRO II loans taken out in 2016 and 2017 with four-year maturity.

Financial Assets and Liabilities measured at fair value

Item	31 Dec. 2018
Financial assets and liabilities measured at fair value through profit or loss	
- Debt securities	89
- Equity instruments of collective investment undertakings	52,948
- Loans	6,439
- Financial derivatives with positive FV	65,680
Total assets	**125,156**
- Financial derivatives with negative FV	73,515
Total liabilities	**73,515**
NET TOTAL	**51,641**
Financial assets measured at fair value through other comprehensive income	
- Debt securities	3,013,043
- Equity securities	244,674
- Loans	-
TOTAL	**3,257,717**

As at 31 December 2018, held Financial Assets amounted to euro 8.3 billion, of which euro 7.8 billion worth of Italian Government Securities.

In terms of classification, in accordance with the new IFRS9 requirements, the component measured at Fair Value through profit or loss was not significant, the component at Fair Value through equity amounted to euro 3.3 billion, while the component measured at amortized cost amounted to approximately euro 5.0 billion (classification aimed at reducing equity variability); this allocation is consistent with the management approach adopted by the Crédit Agricole Italia Banking Group to invest liquidity, which gives preference to securities that are High Quality Liquidity Assets, optimizing their contribution to net interest income and generating positive impacts on liquidity ratios.

Government securities held

	31 Dec. 2018		
	Nominal value	Book value	Valuation reserve
Financial assets held for trading			
Italian Government securities	11	14	X
Argentinian Government securities	47	-	X
Financial assets measured at fair value through other comprehensive income			
Italian Government securities	2,790,000	3,013,043	-86,172
Financial assets measured at amortized cost			
Italian Government securities	4,453,000	4,815,841	X
TOTAL	**7,243,058**	**7,828,898**	**-86,172**

The valuation reserve regarding held Government securities decreased subsequent to the increase in the BTP-SWAP spread occurred in 2018. The duration of the Government securities portfolio is 3.28.

Property, plant and equipment and intangible assets

At the end of 2018, property, plant and equipment and intangible assets amounted to euro 2.8 billion, essentially stable vs. 2017 (-0.5%).

The “Intangible Assets” item reports goodwill and intangible assets that were recognised subsequent to the acquisitions of Crédit Agricole FriulAdria and 202 branches in 2007, of the lease business transferred to Crédit Agricole Leasing Italia in 2008, of Crédit Agricole Carispezia and 96 branches in 2011 and of the 3 Fellini Banks in 2017. As at the reporting date, the intangible assets relating to the above business combinations were tested for impairment.

Specific-purpose provisions

Specific-purpose provisions came to euro 524 million, decreasing by euro 61 million (down by -10%) vs. 2017. This decrease mainly regarded the “Other provisions for risks and charges” item (down by euro - 80 million) and was caused by writebacks and uses of existing provisions. Subsequent to the entry into force of IFRS9 in 2018, this aggregate shall report the provisioning for risks on commitments and guarantees issued (amounting to euro 30 million) as recognised in 2017 under “Other liabilities” for euro 35 million.

Equity

Items	31 Dec. 2018	31 Dec. 2017	Changes	
Absolute			%	%
Share capital	962,672	934,838	27,834	3.0
Share premium reserve	3,117,708	2,997,386	120,322	4.0
Reserves	1,266,117	1,150,176	115,941	10.1
Equity instruments	715,000	365,000	350,000	95.9
Valuation reserves for financial assets through other comprehensive income	-94,806		n.a	n.a
Valuation reserves for available-for-sale financial assets		25,771	n.a	n.a
Valuation reserves for actuarial gains (losses) relating to defined-benefit pension plans	-47,375	-44,712	2,664	6.0
Treasury shares	-	-4,065	-4,065	
Net profit	273,898	690,240	-416,342	-60.3
TOTAL (BOOK) EQUITY	**6,193,214**	**6,114,634**	**78,579**	**1.3**

As at the reporting date, equity, net of the earnings for the year, amounted to euro 5.9 billion, increasing by euro 0.5 billion vs. 31 December 2017, mainly subsequent to the share capital increase of euro 147 million (of which: euro 26,678,766 as share capital contribution and euro 120,321,234 as share premium reserve) made by Crédit Agricole Italia and to the issue of Additional Tier 1 subordinated bonds (euro 350 million). The share capital item reports another increase of euro 1.2 million regarding the merger of the Fellini Banks.

The share capital increase of euro 147 million was made in the first half of 2018 in order to handle the impacts resulting, on the one hand, from the end of the Basel 3 phase-in arrangements and, on the other hand, from the entry into force of the new IFRS9.

The increase in reserves mainly resulted from the undistributed portion of 2017 earnings and from the negative effect of the first-time adoption of IFRS9; valuation reserves decreased due to the worsening in the BTP-SWAP spread, which negatively impacted on the valuations of Government securities held as financial assets measured 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 recognised under the “Treasury shares” item in the statuatory financial statements, as at 31 December 2018 were reclassified under the “Reserves” item in the consolidated financial statements.

Own Funds

Own funds and capital ratios	31 Dec. 2018	31 Dec. 2017
Common Equity Tier 1 (CET1)	**3,116,124**	**3,239,971**
Additional Tier 1 (AT1)	732,220	323,726
Tier 1 (T1)	**3,848,344**	**3,563,697**
Tier 2 (T2)	831,137	633,410
OWN FUNDS	**4,679,481**	**4,197,107**
Risk-weighted assets	**27,842,151**	**27,839,234**
of which by credit and counterparty risks and by the risk of value adjustment of the loan	24,657,313	24,696,755
CAPITAL RATIOS		
Common Equity Tier 1 ratio	**11.2%**	**11.6%**
Tier 1 ratio	**13.8%**	**12.8%**
Total Capital ratio	**16.8%**	**15.1%**

On 19 December 2017, the European Central Bank (ECB) informed the Crédit Agricole S.A. Group, with a letter containing the indications to be applied also to the Crédit Agricole Italia Banking Group, of its decision regarding the minimum capital ratios to be complied with on a continuous basis.

This decision is based on the supervisory review evaluation process (SREP) carried out pursuant to Article 4(1)(f) of Regulation (EU) no 1024/2013. Therefore, in compliance with Article 16 (2) (a) of Regulation (EU) no. 1024/2013, which vests the ECB with the power to require the supervised institutions to hold own funds in excess of the capital requirements laid down in applicable legislation, a 1.50% additional requirement was introduced, which has already been included in the requirements set forth below.

Taking account of the requirements pursuant to the aforementioned communication, the Crédit Agricole Italia Banking Group shall comply, at a consolidated level, with the capital ratios set forth below:

- CET1 ratio: 7.875% (phased-in, including the capital conservation buffer (CCoB));
- Total Capital ratio: 11.375% (phased-in, including the capital conservation buffer (CCoB)).

As at 31 December 2018, the Common Equity Tier 1 ratio came to 11.2%, slightly decreasing vs. the previous year (11.6% as at 31 December 2017). This change was essentially due to the developments in the related equity items, the end of Basel 3 transitional arrangements (end of the application of the transitional provisions laid down by: Regulation (EU) no. 575/2013; Bank of Italy Circular no. 285) and to higher deductions from Common Equity Tier 1 in the period relating to DTA impact generated by the new developments in the Italian tax policy.

The Tier 1 ratio came to 13.8%, increasing vs. the end of 2017 (12.8% as at 31 December 2017) subsequent to the issue of an Additional Tier 1 subordinated bond worth euro 350 million.

The Total Capital ratio came to 16.8%, increasing vs. the end of 2017 (15.1%) also subsequent to the issue of a Lower Tier 2 subordinated bond worth euro 100 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 27.8 billion, in line with 31 December 2017, with a performance that resulted from the development in business and the effects generated on DTA by the budget law approved at the end of 2018 offset by the decrease in defaulted exposures, thanks to the sales of NPLs made in the year, and to the shift to the advanced internal rating-based (AIRB) approach on the retail perimeter of the Fellini Banks that were merged by absorption into Crédit Agricole Italia in the reporting period.

In short, having kept, once more in 2018, the consolidated Common Equity Tier 1 ratio above the SREP requirements of 8.5% (required CET1 required full) is evidence of the widely acknowledged capital strength and quality of the Crédit Agricole Italia Banking Group.

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

The acquisition of Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio San Miniato (the Fellini Banks), finalized on 21 December 2017, contributed to the consolidated profit for 10 days in 2017 and for the full reporting year in 2018; moreover, the profit as at 31 December 2017 was affected by the recognition of the badwill regarding the business combination of the Fellini Banks: as a consequence, the YOY profit (loss) comparison is not smooth.

It is also specified that, in 2018, the Fellini Banks were merged by absorption into Crédit Agricole Italia. However, as regards the Consolidated Financial Statements, the merger did not change the consolidation perimeter.

Income Statement reclassification

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

The reclassifications concerned the following:

- 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 recognised 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 recognised 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 “Net Gains (Losses) on Hedging Activities”;
- net provisions for risks and charges regarding commitments and guarantees issued 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 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
Net interest income	990,512	915,676	74,836	8.2
Net fee and commission income	898,245	760,307	137,938	18.1
Dividends	12,614	8,839	3,775	42.7
Income from banking activities	34,705	41,391	-6,686	-16.2
Other operating income (expenses)	1,895	-15,025	16,920	
Net operating income	**1,937,971**	**1,711,188**	**226,783**	**13.3**
Personnel expenses	-742,023	-610,772	131,251	21.5
Administrative expenses	-402,407	-330,204	72,203	21.9
Depreciation of property, plant and equipment and amortization of intangible assets	-129,014	-104,040	24,974	24.0
Operating expenses	**-1,273,444**	**-1,045,016**	**228,428**	**21.9**
Operating margin	**664,527**	**666,172**	**-1,645**	**-0.2**
Impairment on goodwill	-	-	-	-
Net provisioning for risks and charges	18,786	-58,219	77,005	
Net impairments of loans	-260,194	-295,885	-35,691	-12.1
Impairment of securities	-2,068	-		
Profit (loss) on other investments	**-181**	**1,246**	**-1,427**	
Negative consolidation difference (badwill)	-	493,569	-493,569	
Profit (loss) on continuing operations before taxes	**420,870**	**806,883**	**-386,013**	**-47.8**
Taxes on income from continuing operations	-128,817	-105,003	23,814	22.7
Profit (loss) after tax from group of assets held for sale and discontinued operations	-	-	-	-
Net profit (loss) for the year	**292,053**	**701,880**	**-409,827**	**-58.4**
Net profit (loss) for the year attributable to minority interest	-18,155	-11,640	6,515	56.0
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE PARENT COMPANY	**273,898**	**690,240 [#]**	**-416,342**	**-60.3**

[#] Net profit as at 31 December 2017 took account of the badwill generated by the acquisition of the Fellini Banks

Reconciliation between the Official and the Reclassified Income Statements

	31 Dec. 2018	31.12.2017
Net interest income	**990,512**	**915,676**
30. Net interest income	993,282	866,223
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	-4,679	-6,920
130. Net losses on impairment of: a) loans of which time value on non-performing loans [(*)]		55,320
230: Calit IAS profit	1,909	1,053
Net fee and commission income	**898,245**	**760,307**
60. Net fee and commission income	891,547	734,061
60. Net fee and commission income: of which penalty for Lower Tier 2 repayment/settlement	-	12,993
230. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	6,698	13,253
Dividends and similar income = item 70	**12,614**	**8,839**
Profit (loss) on banking activities	**34,705**	**41,391**
80. Net profit (loss) on trading activities	10,711	18,510
90. Net profit (loss) on hedging activities	-10,832	-12,592
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	4,679	6,920
100. Profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	464	
100. Profit (loss) on disposal or repurchase of: b) financial assets measured at fair value through other comprehensive income	26,428	
100. Profit (loss) on disposal or repurchase of: c) financial liabilities	79	
100. Profit (loss) on disposal or repurchase of: b) financial assets available for sale		43,128
100. Profit (loss) on disposal or repurchase of: d) financial liabilities		-1,552
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	3,176	
110. Net profit (loss) on financial assets and liabilities measured at fair value		-30
60. Net fee and commission income: of which penalty for Lower Tier 2 repayment/settlement	-	-12,993
Other operating income (expenses)	**1,895**	**-15,025**
230. Other operating expenses/income	294,346	770,410
230. Other operating expenses/income: of which Badwill	-	-493,569
250. Gains (losses) on disposal of investments	8,829	7,151
To deduct: expenses recovered	-287,109	-253,342
To deduct: recovered expenses for the management of non-performing loans	-5,564	-8,025
To deduct: Commission income from Fast Loan Application Processing	-6,698	-13,253
To deduct: Calit IAS profit	-1,909	-1,053
Net operating income	**1,937,971**	**1,711,188**
Personnel expenses = item 190 a)	**-742,023**	**-610,772**
Administrative expenses	**-402,407**	**-330,204**
190. Administrative expenses: b) other administrative expenses	-713,563	-602,684
230. Other operating expenses/income: of which expenses recovered	287,109	253,342
190. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	24,047	19,138
Depreciation of property, plant and equipment and amortization of intangible assets	**-129,014**	**-104,040**
210. Net adjustments of/recoveries on property, plant and equipment	-44,266	-32,163
220. Net adjustments of/recoveries on intangible assets	-84,748	-71,877
Operating expenses	**-1,273,444**	**-1,045,016**
Operating margin	**664,527**	**666,172**
Impairment on goodwill = item 270	**-**	**-**
Net provisioning for risks and charges = Item 200 b) other net provisioning	**18,786**	**-58,219**
Net impairments of loans	**-260,194**	**-295,885**
100. Profit (loss) on disposal or repurchase of: a) financial assets measured at amortized cost	5,444	-
To deduct profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	-464	-
100. Profit/losses on disposal of: a) loans		-15,260
130. Net adjustments for credit risk of: a) financial assets measured at amortized cost	-251,366	
To deduct: net adjustments for credit risk of: a) securities classified as financial assets measured at amortized cost	1,120	
130. Net losses on impairment of: a) loans		-212,736
130. Net losses on impairment of: a) loans of which time value on non-performing loans		-55,320
140. Profits/Losses on contract modifications without derecognition	-1,037	
190. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	-24,047	-19,138
To deduct: recovered expenses for the management of non-performing loans	5,564	8,025
200. Net provisioning for risks and charges: a) financial guarantees and other commitments	4,592	
130. Net losses on impairment of: d) other financial transactions		-1,456
Impairment of securities	**-2,068**	
130. Net adjustments for credit risk of: a) securities classified as financial assets measured at amortized cost	-1,120	
130. Net adjustments for credit risk of: b) financial assets measured at fair value through other comprehensive income	**-948**	
Profit (loss) on other investments	-181	1,246
250 Profit (losses) on equity investments	8,530	8,048
to deduct Profits (Losses) on equity investments: of which Price Adjustment on disposal of equity investments	-8,829	-7,151
280 Profit (losses) on disposals of investments	**118**	**349**
Negative consolidation difference	-	493,569
230. Other operating expenses/income: of which Badwill	**-**	**493,569**
Profit (loss) on continuing operations before taxes	**420,870**	**806,883**
Taxes on income from continuing operations = item 300	**-128,817**	**-105,003**
Net profit (loss) for the year	292,053	701,880
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO MINORITY INTEREST	**-18,155**	**-11,640**
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE PARENT COMPANY	**273,898**	**690,240**

[(*)] The 5th update of Bank of Italy Circular 262 requires interest with time value effects, determined on impaired financial assets, to be recognised in net interest income, management reclassification made in 2017

Net operating income

In an economic scenario showing some slowdown and still negative interest rates, in 2018 operating income came to euro 1,938 million, increasing by euro 227 million vs. 2017 (up by +13%), with the most considerable increase in the fee and commission component (up by +18%) the weight of which on total income increased to 46.3% from 44.4% in 2017.

Net interest income

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
Loans to customers measured at amortised cost	815,025	724,338	90,687	12.5
Loans to banks measured at amortised cost	-12,693	3,074	-15,768	
Debt securities issued	-100,445	-98,038	2,407	2.5
Spreads on hedging derivatives	165,799	181,559	-15,760	-8.7
Financial assets held for trading	601	81	520	
Financial assets measured at fair value through profit and loss	-		n.a	n.a
Financial assets measured at amortized cost	64,279		n.a	n.a
Financial assets measured at fair value through other comprehensive income	58,003		n.a	n.a
Other net interest income	-57	-95	-38	-39.9
Investments held to maturity		12,138	n.a	n.a
Financial assets available for sale		92,618	n.a	n.a
Net interest income	**990,512**	**915,676**	**74,836**	**8.2**

The Group achieved net interest income of euro 991 million, increasing vs. the previous year by euro 75 million (up by +8%).

Despite the pressure on lending interest rates, loans have been driven by the increase in volumes, in their turn driven by the new mortgage loans and loans to businesses; net interest income from business with customers benefited from the decrease in the longest-maturity funding forms, in terms of both volumes and cost. The differences on hedging transactions gave again a positive contribution of euro 165 million (down by -9%) giving evidence of the effective strategy implemented by the Group to manage interest rate risk.

Dividend income

Dividend income came to euro 12.6 million, increasing by approximately euro 4 million, mainly due to the dividends from the equity investments of the Fellini Banks in 2017.

Net fee and commission income

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
- guarantees issued	8,566	3,908	4,658	
- collection and payment services	55,464	44,236	11,228	25.4
- current accounts	216,132	186,658	29,474	15.8
- debit and credit card services	39,068	31,758	7,310	23.0
Commercial banking business	**319,230**	**266,561**	**52,670**	**19.8**
- securities intermediation and placement	194,308	176,342	17,966	10.2
- intermediation in foreign currencies	4,656	4,091	565	13.8
- asset management	9,723	10,366	-643	-6.2
- distribution of insurance products	263,749	222,916	40,833	18.3
- other intermediation/management fee and commission income	41,058	30,944	10,114	32.7
Management, intermediation and advisory services	**513,495**	**444,660**	**68,835**	**15.5**
Tax collection services	**-**	**-**	**-**	
Other net fee and commission income	**65,520**	**49,087**	**16,433**	**33.5**
TOTAL NET FEE AND COMMISSION INCOME	**898,245**	**760,307**	**137,938**	**18.1**

Net fee and commission income, which accounted for 46% of total income, came to euro 898 million (up by +18%) benefiting from 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 most noteworthy aggregate is that of management, intermediation and advisory services and contributed with revenues amounting to euro 513 million (up by +16%), thanks to the increase in fee and commission income from Wealth Management and in consumer loans. The Bancassurance segment performed remarkably well (up by +18%) and contributed with revenues amounting to euro 264 million.

Fee and commission income from the traditional banking business also performed very well, coming to euro 319 million (up by +20%), despite the decrease in income from loan application processing and from account management expenses.

Net income from banking activities

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
Interest rates	7,590	-1,976	9,566	
Stocks	-2,986	450	-3,436	
Foreign exchange	6,158	5,466	692	12.7
Commodities	27	23	4	17.4
Total profit (losses) on financial assets held for trading	10,789	3,964	6,825	
Total profit (losses) on assets held for hedging	-6,152	-5,672	480	8.5
Net profit (loss) on financial assets and liabilities measured at fair value	3,176	-30	3,206	
Total profit (losses) on financial assets measured at amortized cost	464		n.a	n.a
Total profit (losses) on financial assets measured at fair value through other comprehensive income	26,428		n.a	n.a
Profit (losses) on disposal of financial assets available for sale		43,129	n.a	n.a
PROFIT (LOSS) ON BANKING ACTIVITIES	**34,705**	**41,391**	**-6,686**	**-16.2**

The contribution to the Income Statement of net income from banking activities came to euro 35 million (vs. euro 41 million in 2017); this performance was restrained, in the second half of the year, by the higher spread of the Italian Government securities, which penalized the prices of the securities held.

Other operating income (expenses)

The “Other operating expenses/income” aggregate was positive by euro 1.8 million, vs. euro -15 million in 2017; this improvement (up by euro +16.8 million) was mostly due to the fact that the non-recurring components of 2017 (writedown of the equity investments in Cassa di Risparmio di Cesena S.p.A. for euro 25.2 million, mitigated by euro 19.7 million resulting from the favourable settlement reached with Intesa Sanpaolo) no longer applied in 2018.

Operating expenses

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
- wages and salaries	-517,845	-436,350	81,495	18.7
- social security contributions	-136,577	-115,926	20,651	17.8
- other personnel expenses	-87,601	-58,496	29,105	49.8
Personnel expenses	**-742,023**	**-610,772**	**131,251**	**21.5**
- general operating expenses	-130,237	-99,629	30,608	30.7
- IT services	-91,727	-69,122	22,605	32.7
- direct and indirect taxes	-121,058	-101,794	19,264	18.9
- real estate property management	-56,579	-52,647	3,932	7.5
- legal and other professional services	-27,183	-31,237	-4,055	-13.0
- advertising and promotion expenses	-16,483	-13,044	3,439	26.4
- indirect personnel expenses	-12,349	-10,431	1,918	18.4
- contributions to SRF/DGS/SPS	-40,188	-34,538	5,650	16.4
- other expenses	-193,711	-170,963	22,747	13.3
- expenses and charges recovered	287,109	253,203	33,906	13.4
Administrative expenses	**-402,407**	**-330,204**	**72,203**	**21.9**
- intangible assets	-84,748	-71,960	12,788	17.8
- property, plant and equipment	-44,266	-32,081	12,185	38.0
Depreciation and amortization	**-129,014**	**-104,040**	**24,974**	**24.0**
OPERATING EXPENSES	**-1,273,444**	**-1,045,016**	**228,428**	**21.9**

Operating expenses came to euro 1,273 million, increasing by euro 228 million (+22%) vs. the previous year, mainly due to the contribution of the Fellini Banks, which impacted on the consolidated figure for 10 days only in 2017 and for the full year in 2018. This figure reports also the expenses for the integration of the three acquired Banks and the structural increase in expenses for investments as provided for by the Business Plan, as well as the costs for the entry of new resources, which were offset by even more effective actions aimed at reducing operating costs. It also reports the contributions to the banking system funds and schemes (SRF, DGS), which overall increased by 20% YOY.

Specifically, personnel costs came to euro 742 million (up by +22%); this increase was almost totally due to the absorption of the Fellini Banks and, to a residual extent (+2%), to the adjustments of remuneration fixed components (Italian national collective bargaining agreements, seniority pay increases) and of variable ones.

The “Administrative expenses” aggregate is to euro 402 million (up by +22%) and reports, especially for IT expenses (up by +33%), the higher costs for the integration of the Fellini Banks, as well as higher ongoing charges for the management of a wider commercial network; the costs for legal and professional services decreased (down by -13%).

Depreciation, amortization and write-downs of property, plant and equipment and intangible assets totalled euro 129 million (up by +24%); this aggregate increased the most as regards the depreciation of property, plant and equipment (up by +38%) given the higher weight, within the Fellini Banks, of property, plant and equipment than intangible assets; the increase in amortization (+18%) was due to the higher investments provided for by the Medium-Term Plan (MTP).

As a consequence of the developments reported above, the cost/income ratio came to 65.7% (63.6% net of the contributions of euro 40 million to the Banking System funds and schemes SRF, DGS).

Net Provisions for risks and charges

In 2018, the “Net Provisions for risks and charges” item had a positive mismatch of euro 19 million as the result of provisioning for risks on revocatory actions and litigation totalling euro 8 million, and reversals of provisions for euro 27 million subsequent to the renegotiation of some supply and cooperation contracts with suppliers and product companies that used to work with the Fellini Banks; in 2017, the balance of this item reported provisions totalling euro 58 million, of which euro 44 million regarding the Fellini Banks.

Net impairments of loans

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
- Bad loans	-115,283	-204,668	-89,385	-43.7
- Unlikely to Pay	-143,873	-97,522	46,351	47.5
- Past-due loans	-2,304	-4,144	-1,840	-44.4
Non-performing loans	**-261,460**	**-306,335**	**-44,875**	**-14.6**
- Performing loans - stage 2	13,161		n.a	n.a
- Performing loans - stage 1	3,035		n.a	n.a
Performing loans	**16,196**	**23,154**	**-6,958**	**-30.1**
Net losses on impairment of loans	**-245,264**	**-283,181**	**-37,917**	**-13.4**
Gains (losses) from contractual modifications without derecognition	-1,037		n.a	n.a
Expenses/recovered expenses for loan management	-18,484	-11,112	7,372	66.3
Net losses on impairments of guarantees and commitments	4,592	-1,592	6,183	
NET IMPAIRMENTS OF LOANS	**-260,194**	**-295,885**	**-35,692**	**-12.1**

The cost of credit continued with the decreasing trend shown in the last few years and was one of the main factors of the Group's good performance in 2018: net impairment losses on loans came to euro 260 million, down by 13% vs. 2017, despite the larger perimeter of loans to customers. Consequently, in percentage terms, the ratio that measures the cost of credit risk (i.e. the ratio of the relevant adjustments recognised in the Income Statement to net loans to customers) decreased from 67 bps in 2017 to 57 bps in 2018, with a concomitant improvement in the coverage ratios of non-performing loans.

Indeed, having regard to the single types of non-performing loans, the recognised adjustments for impairment on Unlikely to Pay came to euro 144 million (vs. euro 98 million in 2017), with the coverage ratio going up to 34%, while the alignment of value adjustments of bad loans (euro 115 million) resulted in a coverage ratio of 68.4%.

Profit (loss) on continuing operations before taxes

Profit on continuing operations before taxes came to euro 421 million (up by +34% million vs. euro 313 million in the previous year, net of the "Badwill" effect generated by the Fellini Combination).

Taxes on income from continuing operations

Current taxes and deferred tax liabilities came to euro 129 million, vs. euro 105 million in 2017 (up by euro +19 million, +15%).

Net profit

The net profit for the reporting year, net of minority interests, came to euro 274 million, increasing by 10% vs. the net operating profit (loss) for 2017 of euro 250 million (with a statutory net profit of euro 690 million, which had been impacted by the badwill and integration expenses relating to the Fellini Banks).

Comprehensive income

Items			31 Dec. 2018	31 Dec. 2017
	10.	**Net profit (loss) for the FY**	**292,053**	**701,880**
		Other comprehensive income after taxes not recycled to profit or loss		
20.		Equity instruments designated at fair value through other comprehensive income	(2,945)	
30.		Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	
40.		Hedging of equity instruments designated at fair value through other comprehensive income	-	-
50.	20.	Property, Plant and Equipment	-	-
60.	30.	Intangible assets	-	(794)
70.	40.	Actuarial profit (losses) on defined-benefit plans	(2,120)	-
80.	50.	Non-current assets held for sale and discontinued operations	-	(1,170)
90.	60	Share of Valuation Reserves on equity investments measured using the equity method	-	
		Other comprehensive income after tax reclassified to profit or loss		**-**
100.	70.	Hedges of investments in foreign operations	-	-
110.	80.	Exchange rate differences	-	-
120.	90.	Cash flow hedges	-	
130.		**Hedging instruments (non-designated elements)**		
	100.	Financial assets available for sale		(4,398)
140.		Fair value changes of debt instruments measured at fair value thorugh other comprehensive income	(123,513)	
150.	110.	Non-current assets held for sale	-	-
160.	120.	Share of Valuation Reserves on equity investments measured using the equity method	-	1,125
170.	**130.**	**Total other comprehensive income after taxes**	**(128,578)**	**(5,236)**
180.	**140.**	**Comprehensive income (Item 10+170)**	**163,475**	**696,644**
190.	150.	Consolidated comprehensive income attributable to Minority Interests	11,654	11,448
200.	**160.**	**CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PARENT COMPANY**	**151,821**	**685,195**

Comprehensive income consists of the profit for the period and of the changes in assets directly recognised in equity reserves. These items report a negative impact totalling euro 129 million (vs. euro -5 million in 2017), mostly due to the decrease in valuation reserves for Italian Government securities recognised as "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 that must be taken into account when analyzing the table.

Net of the profit portion attributable to minority interests, in 2018 consolidated comprehensive income came to euro 152 million vs. euro 685 million in 2017, as the previous year's figure reported the "Badwill" resulting from the Fellini Combination.

Operations and income by business segment

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

STRATEGIC PLAN AND CORPORATE DEVELOPMENT LINES

STRATEGIC PLAN

In 2018, the Crédit Agricole Italia Banking Group continued to implement its "Ambizione Italia 2020" Strategic Plan, which started in 2016, consistently with the Medium Term Plan to 2020 prepared by the Parent Company Crédit Agricole S.A.

The Plan ambition is to continue **to strengthen the Group's leading place as a customer-focused proximity bank, thanks to a distinctive positioning in the Italian banking scenario, ensuring customer centrality, using digital inovation to support a multichannel model, investing in people and talents as a key driver of growth, leveraging on its belonging to the Crédit Agricole Group and on its strength in order to continue in its organic growth on key segments and to achieve sustainable increase in profitability**.

The transformation envisaged in the Plan provides for the action lines listed below:

1. repositioning in a customer-centric approach;
2. access to the new channels and strengthening of the domains the Group excels in;
3. people and Development;
4. efficiency;
5. rebranding.

1. REPOSITIONING IN A CUSTOMER-CENTRIC APPROACH

In 2018, customer Satisfaction initiatives continued, in order to:

- establish and keep a high-quality relationship with customers, by providing high-value advisory services and constantly high service level;
- improve customer Experience, which is more and more shifting to a multichannel approach.

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

- extending the Listening-to-customers system, with surveys of customers of all the business channels;
- dedicated training programs, to continue in the challenging Change Management process;
- targeted communication, both internal and external;
- revision of the processes in order to streamline operations for customers and Colleagues.

"Around the Branch" multichannel integration

In order to face the sudden changes that technological innovation constantly brings to the market and to customers' behaviour, the Crédit Agricole Italia Banking Group has implemented a multichannel/digital transformation programme, which has comprised the launch of new innovative tools and portals/App. Such programme is based on the following strategic directions:

- **innovation of digital platforms**, in terms of evolution of the existing platforms and launch of innovative ones. Among these, the implementation of the "Touch ID" biometric recognition system for Nowbanking, the Nowbanking App designed for Small and Medium Enterprises and the Fastcash App for cardless cash withdrawals at ATMs using a smartphone;
- **Branch-Digital integration**: tools have been implemented for contact with customers using advanced techniques, also remotely (chat/ audio/ video), asset management platforms/processes have been developed (PFP, new sale process with remote assistance for wealth management products) with the possibility for customers to make remote transactions;
- **evolution in Banca Telefonica (Phone Bank) role** from customer assistance center to customer Experience core element. The organizational structure has been significantly strengthened in terms of resources, tools and skills, also providing for a "multi-center" organization throughout the communities the Group operates in;
- **increasing digital acquisition**, through dedicated web portals (Conto Adesso, Mutuo Adesso), and important innovations in the opening process. To customers that do not live in the communities where the Group has branches or that prefer to interact with their Bank remotely while all the same having a dedi-

cated account manager, the new Virtual Branch is now available.

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

2. ACCESS TO THE NEW CHANNELS AND STRENGTHENING OF THE DOMAINS

THE GROUP EXCELS IN NEW CHANNELS DRIVING GROWTH

As one of the channels driving the Group's growth, the Financial Advisors new channel continued to be strengthened, which now consists of about 200 Advisors. Moreover, important cooperation activities within the Crédit Agricole Italia Group started on the Mid-Corporate segment, on Bancassurance and on Consumer Credit.

Strengthening of the domains the Group excels

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

- small Business and Agri-Food: the application of the new distribution model continued, with the setting up of specialist hubs (over 60 at the end of 2018) and with the signing of supply chain agreements with some Italian leading Companies;
- mortgage loans: in order to retain a leading position in the mortgage loan sector, a process was started to streamline loan disbursement activities and to optimize the supporting methods and tools, driven by the will to excel also in digital evolution;
- private Banking and WM: the Private Bankers Network, the technological tools made available to this channel and the range of advanced services to customers continued to be strengthened also in 2018

3. PEOPLE AND DEVELOPMENT

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

HR transformation plan

Human Capital remains one of the main pillars for the Group's transformation. In the reporting year, some important strategic activities were started:

- **recruitment plan**, supporting the projects provided for in the "Ambizione Italia 2020" Strategic Plan;
- **generational Turnover**: approximately 171 staff members exited after joining the Solidarity Fund for voluntary early termination, with concomitant entry of about 20 young people;
- **continuous development of our staff**, through managerial training, career and job rotation plans, exchange programs with Italian and foreign entities of the Group. Specifically, the Alisei 2020 project was started and aims at making all people active promoters of their professional development;
- corporate welfare and **gender and diversity policies** have been strengthened even further, along with a Smartworking ambitious programme, which was joined by over 1,000 people in one year.

Operational Machine renewal plan

The enhancement of the Operational Machine is being pursued through some key initiatives:

- focus on several "**Big Real Estate Projects**": completion and opening, in the first half of 2018, of the New Management Headquarters in Parma (**Crédit Agricole Green Life**), a sustainable complex that allows the Group to advocate environmentally friendly behaviours to the outside and that has been designed and built to foster new methods of work (co-working, co-creation and smartworking) and exchange with colleagues; the Milan Office on Via Armorari was also renovated;
- the **services provided by Crédit Agricole Group Solutions have continued to be extended to other Crédit Agricole companies in Italy** (for example, the Group's Insurance Companies in Italy).

4. EFFICIENCY

Transformation of the Network model

The new Network model has been designed to be based on **customer centrality** and in order **to ensure continuous improvement in the efficiency levels** of our Branches.

To date, approximately 40% of the before-Fellini Network operates with a counter-free logic, as per the new "Agenzia Per Te" format, which was implemented also for some branches of the three Fellini Banks, allowing the automation of transactions with the machines located at the Branches, giving 24/7 service, providing customers with more time for higher added value activities, such as advisory services.

Moreover, the geographical location of branches has been revised, optimizing their presence in extensively covered areas, especially for low-traffic small/very small centers. At the same time, new development methods have started being implemented to extend operations to high-potential areas, through a new, innovative and light model of branch (the "Hub" model), based on which the physical branch becomes the central hub housing all "jobs".

Lending and risk processes and platforms

Also in 2018, the Group was engaged in reducing the cost of credit, also thanks to the sale of a tranche of non-performing loans. A new procedure stated to be developed, which aims at improving, in efficiency and effectiveness terms, loan authorization processes, as well as at reviewing the related ones.

Enhancement of the efficiency of processes

The Group has continued to focus on the projects for the streamlining and digitalization of operations and processes, in order to constantly improve the Group's efficiency: some key processes were upgraded in this perspective, such as current account opening, mortgage loan contract finalization and successions.

5. REBRANDING

In 2018, the brand positioning activities, which started in 2016 with the rebranding, continued, focusing on enhancing the brand distinctiveness, with advertising campaigns on the most impacting media and on digital and social media, in a business and sustainability perspective (especially centred on mortgage loans and savings/investments), thus increasing people's awareness of the Crédit Agricole Group throughout Italy and their perception of the Brand's internationality and strength.

Moreover, new strategic partnerships started with market leading brands, which are key drivers to trigger business opportunities and accelerate brand awareness (such as the partnership with FC Internazionale Milano).

6. STRATEGIC TRANSACTIONS

Absorption of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A. (the "Fellini Combination")

After the acquisition, which was finalized on 21 December 2017, in the reporting period Crédit Agricole Italia completed the merger by absorption of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A., which ended with the migration of information systems and was carried out in three steps, from June to September.

CORPORATE DEVELOPMENT LINES

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

RETAIL BANKING DISTRIBUTION CHANNELS

In 2018, the Crédit Agricole Italia Banking Group further strengthened its universal customer-focused proximity 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 Individuals sub-segment, 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.

Mortgage and other loans

As regards home loans, the Bank aimed at customization and digitalization of the products and services it provides, cooperation and partnerships with leading companies and promotion of Green Economy, in order to stand by its customers in their important projects, such as home purchase or renovation, with solutions that are good value for money, simple and affordable.

In 2018, also thanks to stronger partnerships with loan brokerage companies (generally subsidiaries of the main national real estate networks) and to the full establishment of the digital platform, business operations posted a +16.9% YOY increase (up by +9.9% when considering the 2017 perimeter), considerably higher both than the system figure of outstanding loans (closing forecast +3.5%) and than the expected increase in residential real estate sales and purchases (+5.5%).

As regards digitalization, **Mutuo Adesso**, the online platform for mortgage loans became fully operational; it gives a quote of the Group's range of products and provides customers with all the necessary information for full understanding of the products.

In the reporting year, the Group developed **Mutuo Crédit Agricole**, a mortgage loan that can be fully adjusted and customized in accordance with customers' requirements, thus providing a high-quality product in compliance with the affordability and green innovation standards that are at the basis of the Bank's responsibility policy.

In order to be perceived as highly innovative and advantageous as it is, this mortgage loan has been designed to allow customers to choose:

- type of rate: fixed, to know, from the very beginning, the instalment amount throughout the loan duration; floating rate, which changes in accordance with market rates, with the option for a fixed rate; floating rate with cap, which gives the flexibility of a floating rate along with a rate cap;
- the "Skip instalment" or "Suspend instalment" flexibility options in order to handle small contingencies, skipping payment of one instalment a year at no additional cost, or suspending payment of the instalments up to a maximum period of 12 months;
- the benefits, which may be combined, of a free e-bike of the renowned make Atala; no payment of the first instalment or the "ZeroPensieri" (no worries) service for free collection and certification of the required documents.

Within the well-established partnership with Agos, the leading player in the Italian consumer credit industry, in order to ensure easy access to credit - the product range includes a personal loan for amounts up to €10,000 to be used, for instance, to pay for energy efficiency enhancement expenses, as well as a spread discount for all customers that buy a property in the A/B energy class or renovate their home making it more energy efficient and upgrading it to a A/B class.

In this scenario, the Group continued to be a member of the ABI/MEF convention for "**Fondo di Garanzia Prima Casa**" (main home guarantee fund), which fosters access to credit especially by young people, including workers with atypical contracts; **Parma Progetto Energia** continued to be developed, which is the project promoted and designed in cooperation with the Municipality of Parma aimed at improving the energy efficiency of homes through a dedicated loan at advantageous conditions, called **Energicamente Gran Prestito**, which finances works to increase energy efficiency up to €50,000 and the installation of systems for energy production from renewable sources.

As regards measures supporting access to credit, thanks to its cooperation with Agos, the Group has increased its support to households, seizing market opportunities and leveraging on the recovery in consumption.

E-money

In terms of e-money, the number of debit cards increased considerably, up by 12%.

The range of products supplied by the Group was extended with a new platform for the EasyPlus evolved debit card, "**Vesti la tua Carta**" which meets themultitask and flexibility requirements expressed by customers. With this card, customers can make purchases on the Internet safely, can customize their PIN, make contact-less transactions at enabled points of sale; moreover, thanks to the dedicated platform, the card can be further enriched and customized, with the services that best meet the holder's requirements:

- "Security Package", at no additional cost: in addition to the Security elements, such as SMS text message service, Zero Liability, Opzione Internet (Internet Option), 3D Secure and Opzione Mondo (World Option) services, customers can activate, free of charge, also the Identity Protection service, which monitors the Web and informs the holder in case his/her personal data are found in environments that are deemed high risk;
- other benefits included in various packages (for example: Travel Package - Comfort Package, etc.).

Moreover, the Group has implemented the Apple/Google/Samsung Pay services and, thus, has enabled its customers that are Nexi card holders to **virtualize their cards** and make fast, simple and safe payments using their phone.

In the reporting year, the cooperation with **Telepass** was strengthened in order to further promote the product use, in a perspective of service to customers consisting of time optimization and payment experience. In this scope, also other important commercial initiatives started, for promotion, subsidized fees and giving the possibility to Inter FC fans to have the Telepass device in their team's colours, i.e. blue and black, within the partnership with F.C. Internazionale.

Prepaid card also continued to perform well, posting considerable growth, with a 16% increase in all the products of the **CartaConto** "family" (CartaConto, CartaConto Paysmart and CartaConto Personalizzata); this range combines the main services of a current account with the functions of a prepaid payment card.

Consistently with the strong focus that the Group has always placed on creating and spreading a range of social products and services, **the "Solidarity Cards" range was further developed**.

The Group reasserted and continued in its commitment to keep, in its product catalogue, **CartaConto Lega del Filo d'Oro** - Lega del Filo d'Oro is a non-profit organization that, for over 50 years, has been providing assistance to deafblind people in Italy - and CartaConto Teatro Regio di Parma, with which the instalments to repay the loan for the purchase of theatre season tickets. This catalogue was further extended with the new **FILSE CartaConto**, subsequent to the award of a tender called by the Liguria Region, which provides for a fuel voucher to be given to 4,937 recipients that reside in the Municipalities of Portovenere (SP) and La Spezia, in consideration of the environmental impact caused by the Panigaglia regasification unit. FILSE CartaConto is an evolved payment instrument with which the fuel voucher can be received and then used until 27 November 2019 and which - after such date - will include - also the typical banking functions, with no activation cost and with no monthly fee for the first 24 months.

In 2018, important partnerships were established, such as that with the **University of Parma** - following the one already underway with the **University of Venice** - aimed also at fostering the link between university and the world of work and, thus, becoming a true value proposal to the community, through the improvement and integration of training and the adoption of innovative approaches. The project core product is **CartaConto Università di Parma**, the multiservice Card that, along with the typical banking functions, also comprises the functions of a Student Card, i.e. identification, recognition and access to university services.

In the reporting year, Crédit Agricole became the Official Bank and Top Partner of F.C. **Internazionale Milano**, once again substantiating its support to the Italian world of sport and closeness to the values it represents, such as pursuance of excellence and development of young people's potential.

One of the first significant initiatives was the start of the **CartaConto Inter**, the Inter-branded payment card. This important partnership between the Bank and a world famous football club is going to bring about new products over time, such as the payment cards **Nexi Classic Inter** and **EasyPlus Inter**, as well as joint initiatives in the solidarity, business and people's growth scopes.

Evidence of the success of these initiatives is that solidarity, university and sport-sponsorship-related CartaConto cards came to over 20,000 pieces.

Other commercial initiatives were started regarding credit cards.

Subsequent to the regulatory developments that have made fuel paper receipts no longer usable, a commercial initiative was implemented to provide businesses with adequate payment instruments.

As regards the Individuals segment, the implemented commercial initiatives aimed at increasing penetration and use of cards, especially in their most evolved versions, also through awards and competitions.

Current Accounts and Bancassurance

IDD (Insurance Distribution Directive)

In 2018, the Crédit Agricole Italia Banking Group designed and developed its operations for the distribution of insurance products in full compliance with the new EU legislation (Directive (EU) 2016/97 of 20 January 2016 - IDD) on insurance distribution, which entered into force on 1 October 2018.

The project's main objective was developing a customer-Centric approach, seizing opportunities and providing services that meet customers' expectations, in order to:

- detect the needs of customers, helping them in decoding such needs and ensuring that product are consistent with the evolutions in customers' needs;
- improve the distribution process through higher commitment to advisory services in insurance matters, with the development of a new dedicated tool;
- ensure higher disclosure, with more transparent communication tools.

Non-Life

In 2018, the Non-Life Strategic Project was started, which is a business plan prepared in cooperation with CA Assicurazioni and aimed at making the Group a leading player in the Italian bancassurance market in the next few years.

The ambition is to have the Company ranking at the top of the Non-Life Bancassurance market, following the successful path of Crédit Agricole in France, by developing innovation in terms of products, services and use of digital channels. To this end, dedicated projects were started involving several structures of the Bank and of the Company.

The first multichannel implementation within the Project was the possibility to renew the Protezione Guida MV insurance policy through Nowbanking.

In cooperation with Crédit Agricole Assicurazioni, a portal was also developed in the corporate Intranet through which Branch staff members can enter online the registration number of the customer's car/motorbike. This tool was developed in order to increase the opportunities for contact with customers and for distribution of the Protezione Guida products. The customer's Nowbanking comprises a similar function. Thanks also to these new media, in 2018 MV liability insurance quotations increased by 12% YOY.

Creditor Protection

In 2018, the Life and Multirisk Protezione Finanziamento Business creditor protection products, with annual premium that can be paid in monthly instalments, were added to the product catalogue. These recurring premium solutions are new for the Creditor Protection segment that generally features insurance products with multi-year duration and with single premium to be paid in advance. This extension in the product catalogue allows Small Business customers to choose, with the same coverage and benefits, the insurance package that best fits their requirements in terms of premium type.

In 2018, there was another new entry in the range of insurance products dedicated to Individuals, namely the Protezione Domani product with annual premium. It is a stand-alone insurance product that can be underwritten by all customers that attach importance to protection and that want to protect themselves or others. Indeed, the policy provides full protection and benefits in favour of the insured party or his/her beneficiaries in case of adverse events that may occur during the policy term of validity. Production increased by 11.3%.

Wealth Management

In 2018, the effort for innovation in the Wealth Management segment increased even further, across the scopes listed below.

Service innovation and supporting tools

In 2018, the foundations were laid for the development of the WM 2.0. Project, which is intended for the evolution of the present service model towards excellence in advisory services, in order to be able to drive growth that is organic and sustainable over time. The Project guidelines are the following:

- **specialization and enhancement of the supply chains with higher added value** (Private banking, Financial Advisors, Affluent segments) with the creation of structures in order to better manage the conveyance of the guidelines from the center to the network, for instance by setting up an Investment Center for all the channels providing full-range advisory services on assets under management and under administration;
- **cost-to-serve optimization** with industrialization and digitalization of supply, especially as regards Households and Millennials, also thanks to the Group Best Practices (cooperation with Amundi);
- **extension of the tools supporting the quality of services to customers**, with the evolution of digital platforms (e.g. Nowbanking, the new Hub App), in order to improve the quality of reporting and alerting services; actions have been planned for the upgrading of the service model in order to ensure global and tailor-made advisory services with a full-range scope (not only financial), designed on the customers' needs and life projects;
- **continuous enhancement of People and skills** through dedicated training, especially on Behavioural Finance, aimed at better and better ability to listen to our customers and to analyze their needs and objectives, as well as on Regulatory scopes, in order to ensure that the services provided meet high quality standards.

Moreover, since September 2018 a **Newsletter is sent every two weeks via e-mail to the Group's customers called Sguardi su "Risparmio e Investimenti"** - (A look at Savings and Investments), the New Financial Education and Communication Service, aimed at conveying the value of advice and skills, as well as at briefing customers on matters regarding savings and financial culture.

Product innovation

Again in 2018, the commitment to innovate the range of products and services was constant:

- in the insurance scope, the main new development was the launch, in May, of the new **Unit Global Solution of Crédit Agricole Vita**, which provides customers with a service able to meet their needs over time as well as to follow market evolution, with 17 different investment solutions in one single product. This new Unit-linked product has allowed higher diversification, thanks to the wide choice of funds - 5 internal insurance funds of CA Vita and 12 external funds from among Amundi best selections, can be tailor-made on the customer's risk profile, is more responsive thanks to daily measurement and ensures more flexibility and more protection as it provides for the possibility, in case of death, of cashing in at least the premium paid;
- the new developments in asset management were the launch of the new **Amundi Accumulazione Italia PIR** Fund, which is the first PIR-compliant fund with a pre-set subscription window in the Italian market and which is intended to provide, in one single product, the advantages resulting from investment in Italian Individual Saving Plans (Italian acronym PIR) and from the mechanism of gradual investment in stocks; the extension in the range of funds with a pre-set subscription window thanks to the inclusion of **Disruption** funds focusing on very attractive companies and industries able to create or benefit from innovative business models;

- **Amundi Selezione Benessere** fund, which aims at seizing the return potential generated by socio-environmental changes linked to consumers' search for wellbeing and with the design of specific funds for the customers of the private banking and financial advisors channels, such as Amundi Mega Trend fund;
- in October, a new result of the synergy with the product company CACIB was the launch of the "**Climate Action Green Notes**" structured bonds, the first total green bond issued by CACIB and reserved to our Group's customers investing, and therefore supporting, companies and projects with strong environmental, social and governance performances and operating in an industry that is key for the transition to an economy that is more respectful of climate and of the environment in general. This initiative is consistent with our Group's commitment to sustainability and to "ESG" (Environmental, Social and Governance) matters;
- **extension of the range of products and services thanks to the integration of the three Fellini Banks** with new product houses on the catalogue (for example: Nordea, Columbia, Pramerica, Soprarno).

Regulatory upgrading

Upgrading continued as required for full compliance with all the new developments in the EU legislation in the following scopes:

- **IDD**, on insurance distribution providing for consumer protection;
- **Mifid II** on investments with the main achievements given below:
  - higher quality of services to customers also in the after-sale stage, through the implementation of costs/benefits assessments, ensuring consistent increase in benefits in case of any potential increase in costs;
  - optimization of the product catalogue with new testing on the efficiency of the products in the catalogue;
  - upgrading of contracts and of the internal normative instruments for their full compliance with the legislation and preparation for the activity to implement the period Reporting ex-post to customers, clearly and transparently setting forth the costs and expenses regarding the portfolio, as well as the related impacts on returns.

Small Business

In 2018, a highly-specialized distribution model was established with the full operation of 61 Small Business Centers, in order to provide customers with more specialist advisory services, with a "customer centrality" approach.

In the reporting year, the Crédit Agricole Italia Banking Group developed important initiatives aimed at providing support to the businesses based in the communities it operates in and to local economies, fostering growth and access to credit, while proving once again able to work in synergy with the main Local Public Institutions:

- it paid more than 1,400 contributions **in favour of customers hit by natural disasters** for a total amount of over euro 15 million;
- funds were allocated for "Preauthorized" loans intended to be used to grant both short- and medium-/long-term credit lines, as well as funds for loans on very easy terms in order **to support, with fast and transparent tools, investments in the most deserving businesses**;
- it took part in several **subsidized financing regional initiatives aimed at supporting new entrepreneurial projects and investments in production**;
- it promoted the use of the Guarantee Fund for SMEs, aimed at **fostering access to financial sources by small and medium enterprises** by giving a state guarantee that is added to and often replaces the collaterals pledged by SMEs. In the reporting year, over 500 loans were disbursed totalling euro 69 million;
- it enhanced lending to Local Public Institutions, in order to **support the implementation of actions in the public interest, investments aimed at improving the existing infrastructure and services or at enhancing the Institution's efficiency**.

In 2018, the POS product range was extended with the launch, in cooperation with the provider Nexi, of two new important solutions:

- **SmartPOS PAX:** a new terminal, with innovative design and touchscreen colour display, that can be used to download the Apps dedicated to one's business;

- **XPay easy, XPay pro, XPay 360:** innovative solutions to activate the payment gateway that allows customers to accept payments also remotely: the activation process is fully online, simple and with short activation time.

To provide incentives for acceptance by stores of card payments also for small amounts, the "Micropayments" campaign was launched, which provides for the refund of the commissions calculated on e-payments of small amounts made with Visa, Master- card and PagoBANCOMAT® payment cards.

Agri Agro

In 2018, the Crédit Agricole Banking Group provided considerable support to the Agri Agro (Agri-food) sector, as substantiated by new long-term loans worth over euro 790 million and by total loans to the sector increasing by 14.1% (7.0% considering the before-acquisition perimeter).

In the reporting year, a service model that is highly specialized for the sector became fully operational, with 45 advisors that work exclusively in this sector, coordinated by 18 specialists throughout the network and by a dedicated Service within the Central Department.

Relying on the expertise of its French Parent Company, the Group has placed the Agri-food sector at the center of its strategy developing an approach able to combine innovation and proximity to the communities it operates in with the following initiatives:

- launch of Agriadvisor, an Android tablet app that has been designed to assist account managers in acquiring full knowledge of farms, analyzing their financial requirements and the specificities to prepare a loan proposal that is tailor-made on the customer's actual needs;
- signing of important agreements aimed at supporting businesses that operate within the supply chain of leading players in the Italian agri-food sector, such as Barilla, Orogel, TOF - The Organic factory and the Forest Consortium of Pavia (within the "Progetto Nocciola Italia", the project on Italian hazelnuts promoted by Ferrero);
- development of ranges of products and services designed to provide support to target customers that are strategic for the agri-food system as a whole, such as young farmers ("Orizzonte Giovani") and the organic sector ("Orizzonte Bio");
- further strengthening of the partnership with Coldiretti - the main Trade Association in the sector - and the related Loan Guarantee Consortium (CreditAgri Italia) through specific joint initiatives, such as advanced payment of the subsidies pursuant to the EU's common agricultural policy or the participation in the XVII International Forum on Agriculture and Food, which was held in Cernobbio.

PRIVATE BANKING DISTRIBUTION CHANNEL

In 2018, the Group was engaged in implementing the plan for the integration of the Fellini Banks. The combination falls within the scope of the «Ambizione Italia 2020» strategic plan and is intended to contribute to the increase in the operations of the Crédit Agricole Group in Italy.

Thanks to the integration of the three Banks, the Private Banking channel of the Crédit Agricole Italia Banking Group could strengthen its customer-focused Proximity Bank Model, posting growth and increased competitiveness in its long-standing areas of operations. This led to the setting up of **3 new Private Banking Markets and to the strengthening of the team of Private Bankers in the area**.

Therefore, considerable effort was lavished in the reporting year on their business and behavioural integration, in order to harmonize the existing expertise and best practices.

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

- the advisory service scope was further strengthened: Indeed, in the reporting year, **Soluzione Valore Plus**, the explicit remuneration advisory service was further boosted, with a significant increase in AUM and in the number of mandates. In 2018, the service won the **AIFIN "Private Banking e Wealth Management Award" first prize in the Private Banking Division of Commercial Banks**. Evidence of the increasing importance of advanced advisory services in a MiFID II perspective;
- dedicated issues of target maturity funds made by Amundi SGR for Private Banking customers (**Amundi**

Private Stars 2023 and Amundi Private Megatrend);
- continuous maintenance of the **CaVita Private Multiselection** Unit-linked and **CaVita Private Multistrategy** Multiline insurance policies, extending the investable universe of funds and SICAVs;
- the extension of the **Multi-manager UCITS catalogue** with the addition of new international fund management houses.

In 2018, the **Financial Advisory team was strengthened** also with resources coming from the Fellini Banks. This has generated a strong **increase in the level of service provided by the Private Banking** Network, with *ad-hoc* analysis on portfolios, monitoring and dedicated reporting.

In terms of loans, the interaction with the Corporate Banking channel proved once more constant and fruitful in the management of specific requirements of customers that are also entrepreneurs, thanks to **the Credit Advisory team that works alongside the Private Banking Network**. This cooperation yielded an increase in transactions made in synergy with the Corporate Banking channel.

As done in the previous year, also in 2018 the Private Banking channel constructed **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:

- **Important training provided to the entire Private Banking Network** that was required to support the cultural change generated by continuous evolution in the competition scenario:
  1. the training had a behavioural and commercial focus, in order to strengthen the relationship of Market Heads with the Central Department and with the Bankers, thanks to higher awareness of their **managerial role**; the training also aimed at enhancing the Private Bankers' skills in order to foster the transformation of their role from "account manager" to "**portfolio manager and developer**", as well as to promote a corporate culture - based on sense of identity, vision of the future, mutual trust - fit to ensure an unequalled, distinctive and attractive "managerial and commercial style";
  2. the training had also a technical-specialist focus on product and services, financial markets and succession planning. In **cooperation with the Italian Private Banking Association (AIPB) and in accordance with the MiFID 2 requirements**, the entire staff of the Private Banking Network was provided dedicated training that will end with the issue of the AIPB certificate in 2019;
  3. **interaction and exchanges with the AIPB** were once again constant and allowed effective analysis of the main trends in the sector, also with benchmarking among the main competitors;
- DOXA-certified survey of **customer satisfaction** with excellent results achieved by the Private Banking channel. In this regard, **contact proactivity** was boosted through the development of an approach for continuous contact between the Banker and his/her customers, also thanks to the organization of **dedicated events in the communities**.

The Communication activity considerably increased in 2018, both to colleagues with dedicated calls and workshops, and to customers with the implementation of "**Scenari**", the monthly newsletter on financial topics for the Private Banking customers. At the end of the year, the Private Banking Channel played a leading role in the **Savings Campaign**, which highlighting on the specialist channels within the Group on the industry press and on digital media.

FINANCIAL ADVISORS

In 2018, the Financial Advisors Channel further extended its operations with the opening of two new markets - thus reaching a total of 11 markets at the end of the year - and with the onboarding of 58 Financial Advisors, of which 35 recruited on the market and 23 internal resources, thus with the Channel staff coming to 200 resources including Financial Advisors and Market Heads.

Consistently with its mission – i.e. creating value through the development of assets and high-potential customers – in 2018 the Financial Advisors channel posted considerable growth in assets under administration and in the customer base, thanks to effective portfolio diversification in accordance with specific needs.

In addition to the increase in total funding, evidence of the attention paid to customers' needs, in 2018 loans to Individuals came to over euro 50 million.

Within the evolution and extension of the services to customers, in 2018 the actions to improve customer experience and the service model effectiveness continued through higher and higher use, by Financial Advisors, of "Assisted Sale" and "Web Collaboration".

In 2018, the raking in the Net Promoter or Net Promoter Score (NPS) or Customer Recommendation Index (CRI) proved again at absolutely excellent levels. customers especially appreciated elements such as: skills and professionalism, but also proactivity and the ability to provide bespoke services.

Special attention was place on training, which, again in the reporting year, had a core position and focused especially on developing distinctive behavioural skills.

In 2018 all Financial Advisors received training on technical-specialist topics, on strengthening behavioural skills and on regulatory matters.

CORPORATE BANKING DISTRIBUTION CHANNEL

In 2018, 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:

- significant development in structured finance, thanks to distinctive range of products and services and the as distinctive service model, placing the Crédit Agricole Italia Banking Group among the top players in the sector;
- support to exports and internationalization, thanks to specialist advisory services, to the International Desk to assist foreign companies in Italy and through business agreements relying on the international operations of Crédit Agricole - in the services provided to Italian companies that want to become international players;
- the design and development, in synergy with the companies of the Group, of innovative products and joint initiatives aimed at strengthening the relationship with customers;
- the organization of specific initiatives in the communities (e.g. "Coffee with Enterprises"), which involve customers in a perspective of retention and exchange on interesting topics, such as the management of financial risks, internationalization, leasing and liquidity management solutions;
- 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);
- the support provided to customers that were hit by the earthquake with an allocation for subsidized loans (Disasters), to be used to repair the damage suffered by Individuals and Businesses.

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;
- the "File Act Project", a solution that customers can use to exchange flows with the Bank, through Swift, in the formats provided by the Italian Legislation (Interbank Corporate Banking - CBI) or in the Swift formats, ensuring a new and fast way for the Bank and its customers to communicate.

DIRECT CHANNELS AND DIGITAL TRANSFORMATION

For the Crédit Agricole Group, 2018 was an important year within its Digital Transformation, which has been carried out always keeping customers and human relationships at the center.

Our ambition is to continue to listen to our customers, through a customer journey based on different touch points, both Physical and Digital, ensuring multichannel integration "around the Branch"; in this way, customers can choose at any time the method of interacting with their Bank, while Crédit Agricole Italia can meet the needs of a diverse target that comprises various socio-demographic features.

As regards the Digital World, several initiatives and projects were launched in 2018 in order to continue on the road to the Group Digital Transformation, which is based especially on strategies for online acquisition, cross-selling of products that can be 100% sold online, innovative educational initiatives with strong focus on the young people target, considerable investments in digital platforms with innovative elements within the Internet and Mobile Banking channel.

1. *Online acquisition strategies*

The online acquisition activities posted satisfied progress, with Current Accounts opened on the Web increasing by +39% YOY. The sales of this product could be increased thanks to the strengthening of valuable partnerships with native digital companies, but also thanks to initiatives for the sale of Current Accounts with new physical players.

In addition to the good performance of Current Accounts, the sales of Mortgage Loans acquired online also increased: indeed, they were up by +447% YOY, thanks to the activities implemented for the enhancement and promotion of the www.ca-mutuoadesso.it portal and for the establishment of valuable Partnerships with websites for real estate ads, such as Immobiliare.it, the Italian leading player in this sector.

On both Current Accounts and Mortgage Loans, in order to improve its online positioning and to acquire new digital customers, the Group engaged in several activities with high added value. The following ones are specifically reported:

- increased online visibility with Google, in terms of constant presence in the sponsored results of the search engine, and improved positioning of the Group's websites in the organic results page through Search Engine Optimization (SEO) activities;
- usability testing on the Conto Adesso and Mutuo Adesso websites with Google and TSW, aimed at improving user experience and at increasing the conversion rate of websites;
- continuous presence on the Web through the main performance advertisement channels and activities: the most widely used search engines in the Italian scenario (Google, Yahoo, Bing and Virgilio), online comparison websites, bannering on the leading Italian websites, Direct Email Marketing (DEM), Retargeting (Criteo) and Social (Facebook) activities.

2. *Cross selling of products that can be 100% sold online*

In synergy with CA Assicurazioni, MV Insurance (Protezione Guida) and Travel Insurance (Protezione Vacanza) can now be renewed through the Individuals Internet Banking. These two products substantiate the will to increase the potential of digital channels (in this case Internet banking) as a fully-fledged sale channel with a wider and wider product catalogue.

3. *Innovative education with strong focus on the young people target*

In 2018, the Group was quite involved also in Innovative Education initiatives, strengthening its various partnerships with Institutions and Universities in its communities of operations.

Worth mentioning is BankMeApp Scuole, a virtuous educational project involving high school students. Crédit Agricole Italia, in cooperation with the Centre for Research into Entrepreneurial Development (CERSI), has designed an innovative education programme with:

- financial education meetings;
- in-company training programmes for students;
- final contest with the presentation of 10 projects aimed at meeting a true consumption need, with innovative features.

This initiative raises "curiosity" about relevant topics, also financial ones, and gives young people insight on the Group's values, also through internships.

4. *Considerable investments in the digital platforms with innovative elements within the Internet and Mobile Banking channels*

The Group's Internet and Mobile Banking scope underwent considerable developments, aiming at improved positioning in the competition scenario, bridging the market gap and contributing to the growth of the Group's customer base with a more attractive range of digital products and services.

- new Internet Banking for Individuals and Small/Medium Enterprises. The platform has new usability and graphics in line with the current market trends; it allows higher customization, as the "most frequent transactions" can be set and used simply with a *click*, the widgets to be displayed in the Home Page can be set to taste, the account names can be changes and much more. Moreover, the new Nowbanking is mobile-responsive and bank accounts can be consulted at any time and using any type of device;
- the Nowbanking App for Small/Medium Enterprises. In addition to the Internet Banking platform, our Enterprises will be able to access their accounts with an App and to have everything just one *tap* away, including the payment of electronic bank receipts (RIBA) and BILLS;
- FASTCASH, the cardless cash withdrawal app, with which customers can withdraw cash at ATMs, leaving their debit cards at home;
- instant Payments, highly innovative function, with which customers can make a Credit Transfer with the amount credited to the Payee in 10 seconds only.

Awards

The Group's experience, expertise and commitment were again acknowledged in 2018 with important awards:

2018 - The **"Vesti la tua Carta" Digital Platform** project obtained a mention of merit and was nominated for the prizes in the "Financial Innovation - Italian Awards" category

2018 - **Agos Ducato**, the consumer finance company of Crédit Agricole in Italy, was awarded the Value Creator Prize as The best Company for Credit to Households and Loans against transfer of one fifth of salary/pension with deduction of payment (in terms of profitability).

2018 - **Awards to Mutuo Crédit Agricole**

- 5 seals of the *Institut für Vermögensaufbau* (IVA, a quality assessment independent corporation):
  - Excellent Flexibility;
  - Top Product Range;
  - Top Re-Mortgage;
  - Top Conditions;
  - TOP in the final indicator "Mortgage loans of Banks with Branches".
- Awarded by *OF Osservatorio Finanziario* as the best fixed-rate mortgage loan.

THE WORKFORCE

As at 31 December 2018, the Group's staff consisted of 9,878 employees that can be broken down by entity as follows:

RESOURCES ON THE EMPLOYEE LEDGER	31 DEC. 2018
Crédit Agricole Italia	7,046
Crédit Agricole FriulAdria	1,436
Crédit Agricole Carispezia	702
Crédit Agricole Leasing Italia	54
Crédit Agricole Group Solutions	640
Total Resources of the Crédit Agricole Italia Banking Group	9,878

In 2018, at Group level, net of contract transfers/acquisitions, **228** resources were recruited and **401** terminated their employment relation, 171 of whom through the Solidarity Fund.

Newly recruited resources were for the **Financial Advisors channel** (37 new entries), **Distribution network staff** (over 130 new entries in the Retail Banking structure) and specialist profiles at Central Departments (for instance in the IT sector).

The staff consists by **98.46%** of employees with permanent employment contracts, while, in terms of gender, women account for **49.54%** of total resources.

The Group operates in 11 Regions of Italy, with Crédit Agricole Italia being deeply rooted in the Emilia-Romagna Region, Crédit Agricole FriulAdria in the Friuli Venezia Giulia Region and Crédit Agricole Carispezia in the Liguria Region; **55%** of the Group staff works in these three Regions.

The employees' average age is **47 years** (breaking down by category in years point months – Senior Managers 53.03 – Junior Managers **49.11** – 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 **14.11** – Junior Managers **22.00** – Professional Areas **18.02**).

On 21 December 2017, the Crédit Agricole Italia Banking Group acquired three new companies: **Cassa di Risparmio di S. Miniato**, **Cassa di Risparmio di Rimini** and **Cassa di Risparmio di Cesena**, for a total of 1,905 contracts transferred mainly in June, July and September:

- 527 resources coming from Cassa di Risparmio di San Miniato in June;
- 786 resources coming from Cassa di Risparmio di Cesena in July;
- 588 resources coming from Cassa di Risparmio di Rimini in September;
- 4 individual resources entered before the merger in February, May and July.

The staff of the newly/acquired companies consists by **99.95%** of employees with permanent employment contracts, while, in terms of gender, women account for about **52%** of total resources. The employees' average age is **45 years and 6 months**, while average seniority is **17 years and 2 months**.

The newly/acquired companies operate mainly in the Emilia-Romagna and Tuscany Regions, where over **92.84%** of their staff works.

In 2018, the "Ambizione Italia 2020" Medium-Term Plan (MTP) continued to be implemented throughout the Group; it also provides for several significant actions on staff ("Resources and Development" pillar) aimed at investing in people's training and growth, at attracting and enhancing new talents, from the outside and from the inside, and at investing in digital operations, risk management and processes, at continuing to innovate and optimize the Branch model.

Consistently with the Medium Term Plan, training was also focused on, throughout the Group and at all levels. Indeed, over **59,503 man-days** worth of training were provided involving **97%** of the staff, thus substantiating that training, carried out through different distribution channels, is one of the key drivers for the Group development.

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

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

As in the last few years, also in 2018, 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 "Ambizione Italia 2020" Strategic Plan, continuing with the actions started in 2016, on 2 August 2018 a new agreement was signed whereby 200 people joined the Solidarity Fund - subdivided into 2 time-windows, 1 November 2018 and 1 April 2019 -; the agreement provides the employees that will meet the requirements for retirement in the next few years with the possibility of early termination, voluntarily and with incentives, of their employment.

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.

Moreover, also in order to meet the need for generational turnover, up to a maximum of 50 young people are going to be recruited in the 2018/19 period.

Remuneration Policies

The guidelines and directions at the basis of the Group remuneration policy are set by the Parent Company Crédit Agricole in order to ensure shared and consistent management at a global level; such guidelines and directions are then adopted by the Crédit Agricole Italia Banking Group that adjusts them to its own reference scope and submits them to the Board of Directors of each Company (for Crédit Agricole Italia on 27 March 2018) and, then, to the single General Meetings of Shareholders of the Banks for final approval (for Crédit Agricole Italia on 27 April 2018).

The remuneration policies of the Crédit Agricole Italia Banking Group are different in accordance with the reference target staff, both as regards corporate governance processes and as regards the 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:

- alignment with the business strategies of the Companies and of the Group;
- attraction, motivation and retention of professionally qualified and skilled resources;
- merit recognition in order to appropriately acknowledge the resources' personal contribution;
- actual value creation and orienting the performances of the entire staff towards short-, medium- and long-term objectives, within a reference regulatory framework designed for proper control of corporate risks, both present and prospective, as well as for maintaining adequate liquidity and capital;
- internal remuneration fairness, ensuring fair reward for the contribution given and the responsibilities assigned;
- external remuneration competitiveness through constant reference to the market, also with the support of tools designed to analyze and measure work positions by specialized companies providing reference benchmarks for each type of position, company size and market;
- affordability of remuneration systems by controlling the weight of labour cost on the income statement, over the short-, medium- and long-term, both of the single Companies and of the Group as a whole;
- compliance with the law and regulatory provisions that apply to the single Companies and to the Group as a whole.

The Remuneration Policies of the Group for 2018 essentially confirmed those for the previous year, ensuring compliance with the new developments in the EU legislation (MiFID II and IDD) as regards conflicts of interest. They have been extended to the three Banks acquired on 21 December 2017 (Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato) to which the governance principles and rules have been applied, while remuneration instruments and actions have been specifically defined.

On 26 October 2018, the Bank of Italy published the 25th update of Circular no. 285 of 17 December 2013, which introduced some new provisions on Remuneration and Incentive Policies and Practices. Such new provisions shall apply as of 2019 and, therefore, shall be implemented in the 2019 Remuneration Policies document.

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

Internal customer Satisfaction

In 2018, within the Internal Customer Satisfaction (ICS) process, which has been going on for several years, the survey process has been redesigned and upgraded in cooperation with the Doxa Company, as for NPS/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 increasingly focuses on the requirements of customers, also internal ones;
- to make processes and relationships between the various structures more flowing and efficient.

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

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

FINANCE

The directions followed by the Crédit Agricole Italia Banking Group concerning financial balances and management rest of 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 2018, 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. Through progressive repayment, the portion consisting of TLTROs II was rationalized.

Specifically, in January 2018, Covered Bonds were issued on the market for euro 500 million with 20-year maturity. This issue, along with the one in December 2017, has achieved very early completion of and has exceeded the funding plan for the reporting year. Thanks to those issues, funding could be further stabilized at reasonable costs diversifying maturities over time.

As regards capital management, consistently with the directions given by the Controlling Company Crédit Agricole S.A, in 2018 the Parent Company Crédit Agricole Italia issued AT1 (Additional Tier1) instruments for a total of euro 350 million and Tier 2 instruments for euro 100 million. At the same time, the subsidiaries Crédit Agricole Carispezia and Crédit Agricole Leasing Italia issued Tier 2 subordinated bonds for euro 20 million and euro 5 million, respectively.

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

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 S.p.A. is responsible for overall steering, managing and controlling risks at a Group level, triggering operational action plans that allow reliable control on all risk situations. In its turn, the system set by Crédit Agricole Italia is based on the Supervisory regulations and on the directions issued by Crédit Agricole

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

The founding principles informing all activities for risk management and control are the following:

- clear identification of risk-taking responsibilities;
- measurement and control systems that are compliant with the Supervisory instructions and in line with the solutions more frequently adopted at an international level;
- organizational separation between operating and control functions.

The perimeter of detected, monitored and integrated risks (taking account of diversification advantages) in the economic capital includes:

- credit and counterparty risks; this category also includes concentration risk;
- market risk of the Trading Book;
- price risk of the Banking Book;
- interest rate risk of the Banking Book;
- liquidity risk;
- foreign exchange 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 S.p.A. and of the single Entities of the Group for their approval.

The Group's main Committee in charge of the specific risk scopes is the Risk and Internal Control Committee that performs coordination of roles and 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 roles and department engaged in control functions sit also on other management Committees, including the New Activities and New Products Committee (Italian acronym NAP), the ALM Committee, the Investment Committee, the Loan Committee and the Loan Monitoring Committee.

Finally, the Departments engaged in control functions participate in and report to the Audit Committee for Internal Control; this is a Board Committee set up by the 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 regulatory provisions.

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;
- an exposure to market risk to a minimum level;
- a strict oversight on exposure to operational risk;
- a system of controls aimed at controlling non-compliance risk (identified and monitored);
- a careful measurement of risk-weighted assets;
- an 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 development 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 2018, 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 the thresholds and the mapping of material risks, 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 and the roles played by the Group's bodies engaged in management and control functions. 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 2018, the Group revised its process for the identification of material risks, based on the system received from the Controlling Company Crédit Agricole S.A. and consistently with the information given in the ICAAP document and in the Internal Control Annual Report (ICAR).

In general terms, the Risk Appetite Framework of the Crédit Agricole Italia Banking Group is 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.

A main feature of 2018 was the progressive merger by absorption into Crédit Agricole Italia of the three Cesena, Rimini and San Miniato Savings Banks, subsequent to their acquisition finalized at the end of 2017. This entailed the extension of the Parent Company's model for the management and governance of the Risk Appetite Framework to the new consolidation perimeter as a whole.

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 appropriate 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 designed to mitigate this risk. In this scope, special attention is paid to obtaining and managing guarantees, with the definition of general and specific requirements, with special regard to the rules and procedure to monitor that the requirements of the guarantees remain complied with (legal certainty, prompt realization and value consistency with the 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 Crédit Agricole Italia Banking Group started the activities to extend the use of advanced approaches (roll-out plan) also to the same portfolio of the subsidiary Crédit Agricole Carispezia.

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

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

The use of these models within management processes was progressively extended also to the Banks that became part of the Group at the end of December 2017 (within the "Fellini" combination): Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato. Specifically, the lending dossiers of the main counterparties (in terms of revenue) in the Corporate Banking portfolio were accompanied by the grading made with the Group rating model; all internal models were fully integrated for the Fellini Banks upon their migration to CAGS information systems.

The Crédit Agricole Italia Banking Group was authorized by the Regulator to extend its IRB models and to implement the related advanced approach to the former-Fellini exposures, which were integrated into CA Italia in the "Retail" Exposures class, for the calculation of capital requirements effective as of December 2018, subsequent to the submittal of a "ex ante notification" specific application.

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

- lending policies – the set lending policies govern the procedures through which the Banks and the Companies of the Crédit Agricole Italia Banking Group authorize loans and manage credit risk;
- loan authorization: creditworthiness assessment upon the first authorization and upon review of/change in credit lines, as well as for determination of decision-making powers in terms of loan authorization;
- loan monitoring – the use of the performance-measuring PD, combined with other variables, for performance monitoring, in order to detect and correct non-performing positions before they are classified as defaulted;
- collective 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 down 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 2018, the hedging of interest rate risk continued using derivatives, namely Interest Rate Swaps and Interest Rate Options. Fixed-rate securities recognised 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 recognised based on a held-to-sell management model.

In accordance with the indications given by CAsa Risk Committee, in 2018 the limits of the investment portfolio were extended to the securities coming from the Banks acquired at the end of 2017.

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

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

The Risk and Permanent Controls Department of Crédit Agricole 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.

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 down by Crédit Agricole S.A.

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

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

In order to monitor short-term liquidity management, the Crédit Agricole Italia Banking Group has implemented a system of limits in accordance with the provisions set down by the Crédit Agricole S.A. Group, which is based on stress scenarios in order to ensure surplus liquidity on various time horizons and in increasingly severe scenarios. The stress assumptions used cover idiosyncratic crises, systemic crises and global crises. Specifically, a short-term interbank refinancing limit (LCT – Limite Court Terme) has been set, which aims at limiting short-term funding on the market over a one-year time horizon in a market featuring stress conditions.

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

In 2018, 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 2018, the Group Liquidity Coverage Ratio (LCR) was 148%, once again firmly above the set compliance requirements.

Market risk of the Trading Book

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

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

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

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 was applied to the entire consolidation scope and, in the reporting year, the guidelines issued by the Parent Company were applied also to Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A., which were acquired at the end of 2017 and then merged in 2018.

Operational Risks

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

The Risk Management and Permanent Controls Department is the 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 Calit 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, mechanisms that are functional to the set targets have also been implemented:

- operational Risk Manager (ORM or with the Italian acronym MRO), who is responsible for reporting the presence of actual and potential risks in the various corporate structures and for coordinating the implementation of permanent controls;
- control on Outsourced Important Operational Functions/Provision of Outsourced Essential Services (Italian acronyms FOIE/PSEE), on Physical Security and on the Business Continuity Plan (BCP or with the Italian acronym PCO);
- PRSI (Pilote des Risques SI), in charge of monitoring and control of IT risks on the Information System;
- CISO (Chief Information Security Officer), who is responsible for the security of corporate information;
- Information Security Manager (ISM): who is responsible for the implementation and management of the Information System operational security;
- business Continuity Manager (BCM), who is responsible for the Group's Business Continuity Plan;
- persons in charge of Controls, within the Distribution Network structures, with the task of performing 2nd degree 1st level permanent controls;
- 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 reference roles are identified within the Bank's structures, who report to the competent Departments of the Parent Company on the general reliability of the contract relationship.

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

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.

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 by the Italian Law), of the Independent Auditors, of the Top Management of the Group’ Companies and of all Staff members.

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

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

- permanent control, which comprises:
  - 1st-degree controls, exercised on a continuous basis, at any transaction inception and along its validation process, by the employees performing the transaction, 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 making the decisions on the transaction subject to control; specifically, within the central administrative structures, controls are performed to monitor all departments and roles that can access the accounting information system;
  - 2nd degree/second level (2.2) controls, which are carried out by staff who is engaged in specialist functions for top level permanent controls and is not authorized to take risks, i.e. staff engaged in Compliance, Risk Management and Permanent Controls functions.
- periodic control, consisting of a 3rd degree control, which is performed by the Internal Audit Department on a periodic basis through remote verifications, on-site inspections and audits of documents.

The updating of the regulatory system is also constantly focused on and, in addition to the upgrading to the regulations already implemented, also entails 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 mechanisms and the effects of their implementation.

AUDIT

The Internal Audit Department is independent of any and all departments and roles engaged in management and decision-making functions that entail risk-taking: indeed, its organizational placement provides for its reporting on a dotted line directly to the Chief Executive Officer of Crédit Agricole Italia and for its solid-line reporting to the Internal Audit Department of the Parent Company Crédit Agricole S.A.

The Internal Audit Department:

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

OTHER INFORMATION

CRÉDIT AGRICOLE ITALIA SHARE CAPITAL INCREASE

In the first half of the reporting year, in order to meet the impacts generated by the end of Basel 3 phase-in regime and by the entry into force of the new IFRS9, the Parent Company Crédit Agricole Italia strengthened its Common Equity Tier 1 with a share capital increase of euro 147 million (of which: euro 26,678,766 of share capital contribution and euro 120,321,234 as share premium reserve).

ISSUE OF ADDITIONAL TIER 1 INSTRUMENTS

Nel mese di dicembre 2018, Crédit Agricole Italia ha effettuato un'emissione di uno strumento subordinato Additional Tier 1 per 350 milioni di euro, anche in questo caso, in linea con le policy di Gruppo, l'emissione è stata sottoscritta da Crédit Agricole S.A..

STRUMENTI SUBORDINATI LT2 CRÉDIT AGRICOLE ITALIA

In December 2018, Crédit Agricole Italia issued an Additional Tier 1 subordinated debt instrument for euro 350 million; in line with the Group policies, this instrument was also subscribed by Crédit Agricole S.A..

VALERY PROJECT

Complying with the recommendations given in the ECB "Guidance to banks on non-performing loans" - in the reporting year, the Crédit Agricole Italia Banking Group designed a strategic plan aimed at reducing its NPL stock through market transactions, the "Valery" project.

The plan has been structured as a set of transactions spread over the year, which attracted leading players in the Italian and international markets to the competitive procedure.

Overall, the project resulted in the disposal of NPEs totalling euro 1,356 million and consisting of Unlikely-to-Pay and bad loans, thus materially contributing to the reduction of the NPE gross rate, which, as at the reporting date, came to 7.63% (net 3.8%) at the Group level, one of the lowest in the market.

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 related parties" 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

The analysis of any atypical and/or unusual transactions, in accordance with the definition given in CONSOB Regulation 11971/99, is reported in Part H of the Note to the Financial Statements, to which reference is made. In the year, no atypical or unusual transactions were carried out having such size/materiality that might jeopardize or affect 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 80.33% of its share capital, while the remaining portion is publicly held. In 2018 the Bank performed well and reasserted its role in supporting the economy of the Regions in which it operates.

In 2018 Crédit Agricole FriulAdria made a net profit of euro 61.4 million.

Its net operating income came to euro 324.3 million, increasing vs. the previous year thanks to an increase in net interest income and in net fee and commission income, as well as to the good performance of financial activities.

Operating expenses came to euro 194.5 million, increasing by euro 5.2 million (+2.7%) vs. the previous period.

This increase essentially regarded personnel expenses up by euro 4.6 million (+4.7%).

HR costs were mainly impacted by higher expenses for euro 2.5 million worth of provisioning for the Solidarity Fund, subsequent to the signing of the agreement with Trade Unions whereby 20 resources joined the Fund and euro 0.7 million worth of incentives for voluntary redundancy within the "Quota 100" early retirement scheme, effective as of November 2018.

Administrative expenses were essentially unchanged vs. the previous year (+0.5%); the slight increase resulted mainly from higher expenses for services provided by Crédit Agricole Group Solutions S.C.p.A., the Consortium Company of the Crédit Agricole Italia Banking Group, for higher project costs within the 2016-2020 Medium Term Plan.

The continuous decrease in the cost of credit was one of the key factors for the Bank's good performance again in 2018: indeed, net value adjustments of loans came to euro 34.0 million, down by -26% vs. 2017. In percentage terms, the ratio that expresses the cost of credit risk (the ratio of the relevant adjustments taken to the Income Statement to net loans to customers) decreased to 45 bps vs. 64 bps in the previous year, thanks also to the NPL sale, while achieving the objective of increasing the average coverage ratios.

THE PERFORMANCE OF CRÉDIT AGRICOLE CARISPEZIA OPERATIONS

Crédit Agricole Carispezia is subject to the management and coordination of Crédit Agricole Italia, which, as at 31 December 2018, held 80% of its share capital, with the remaining portion held by Fondazione Cassa di Risparmio della Spezia.

Crédit Agricole Carispezia had a very good performance, with its net profit coming to euro 35 million.

Net operating income came to euro 156 million, increasing vs. the previous year (up by euro +2.9 million, +1.9% YOY); the increase in net interest income, fee and commission income and net income from banking activities offset the lower other operating income (expenses) and lower dividend income. Operating costs came to euro 93.8 million, increasing by euro 3.1 million (i.e. up by +3.4%) vs. the previous year.

This increase regarded both personnel expenses (up by euro +1.3 million, i.e. +2.7%) and administrative expenses (up by euro +1.8 million, i.e. +4.4%). HR costs were mainly impacted by higher expenses for euro 1 million worth of provisioning for the Solidarity Fund, subsequent to the signing of the agreement with Trade Unions whereby 9 resources joined the Fund, subdivided into the exit windows: 6 resources on 1 November 2018 and 3 resources on 1 April 2019.

The continuous decrease in the cost of credit (down by euro -5.2 million) was one of the key factors for the Bank's good performance in 2018: indeed, net value adjustments of loans came to euro 11 million, down by 32.3% vs. the same figure for the previous year. The ratio that expresses the cost of credit risk (the ratio of the relevant adjustments taken to the Income Statement to net loans to customers) decreased to 39 bps vs. 61 bps in the previous year, even with high coverage ratios of non-performing loans (62.9%).

THE PERFORMANCE OF CRÉDIT AGRICOLE LEASING ITALIA (CALIT) OPERATIONS

In 2018, CALIT succeeded in making the most of the opportunities generated by its belonging to the Crédit Agricole Group and by the measures to support the real economy (super- and hyper-amortization and the so-called "Sabatini TER" on capital goods financing, incentives that customer that entered into leases can use). The business performance posted considerable increases vs. 2017 both in intermediation volumes, which came to euro 637.3 million (up by +17.7% YOY), and in the number of new contracts, which came to 3,937 (up by +5,6% YOY).

The market, which includes also automakers' captives operating in long-term hire and companies specializing in operating leases, increased YOY by +5.3% in volumes and by +2.7% as to the number of contracts (provisional data, source Assilea).

In 2018, equipment and motor-vehicle leases accounted for 68% of the Company's new production (specifically the former for 56% and the latter for 12%), whereas property leases accounted for 18% of it and the seacraft/aircraft and renewable energy segments accounted for the remaining smaller contributions.

Gross leases came to euro 1.98 billion, with an increase in performing ones (up by euro +65 million) and a decrease in non-performing ones (down by euro -27 million). The weight of non-performing loans came again below the market figure by more than 50% (9.9% vs. 24.1% - the latest available data are as at 30 September).

A regards performance, the operating profit increased vs. 2017 by +8%, with revenues growing (+6%) at a higher rate than costs (+2%). At the same, the cost of credit decreased by -6% (vs. the 2017 figure net of the non-recurring transaction of bulk sale of real estate properties from defaulted leases).

THE PERFORMANCE OF CRÉDIT AGRICOLE GROUP SOLUTIONS OPERATIONS

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

In addition to the above-reported operations, in accordance with the Group's Business plan and strategic directions, Crédit Agricole Group Solutions implemented important crosswise and innovative projects. Specifically, in 2018, it completed the new Management Headquarters in Parma, "Crédit Agricole Green Life", which houses the Bank's central Departments in one complex and carried out full IT and operational integration of the three "Fellini Banks" within the Crédit Agricole Italia Banking Group.

In 2018, operating expenses came to euro 268 million, increasing by euro 42 million (i.e. up by +18%) vs. the previous year; this increase is spread over all cost components.

HR costs came to euro 52.6 million (accounting for 20% of total expenses) and increased by nearly euro 4 million year-on-year. The increase vs. 2017 mainly resulted from a higher number of staff members seconded to the Consortium by Crédit Agricole Italia subsequent to the absorption of the three Banks and from higher expenses amounting to euro 1.9 million worth of provisions to the Solidarity Fund, subsequent to the signing of the agreement with the Trade Unions whereby 17 resources joined the Fund, subdivided into the exit windows: 11 resources on 1 November 2018 and 6 resources on 1 April 2019.

Administrative expenses came to euro 153 million and essentially represent the costs incurred for the provision of services by the Consortium to the other Companies of the Group and account for a large part of operating expenses (57%). This item increased by euro 29 million (+23%) vs. the previous year, due to the costs for the integration of the three "Fellini Banks" in the Group, amounting to euro 15.5 million, and to higher ongoing charges for the management of a wider distribution network, amounting to euro 11.6 million. Also net of the aforementioned effects the item increased by euro 2 million, because of higher Information Technology expenses, which were partially offset by lower real estate and logistic expenses.

Depreciation and amortization came to euro 62 million, up by euro 9 million (17%) vs. the previous year; this performance resulted from the investment plan implemented in 2016 (euro 81 million), in 2017 (euro 70 million) and in the reporting period (euro 74 million, of which 22 for the integration of the three Fellini Banks).

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 2018 broke even.

RECONCILIATION BETWEEN PARENT COMPANY AND CONSOLIDATED NET EQUITY AND PROFIT OR LOSS FOR THE PERIOD

	31 Dec. 2018	
	Equity	of which: Net profit (loss) for the period
Parent Company's balances	**6,160,109**	**252,124**
Effect of consolidation of subsidiaries	33,105	77,736
Effect of the equity method accounting of significant equity investments	-	-
Dividends received in the period	-	-55,962
Other changes	-	-
CONSOLIDATED ACCOUNT BALANCES	**6,193,214**	**273,898**

OUTLOOK

SIGNIFICANT EVENTS OCCURRED AFTER THE REPORTING DATE

As regards the Crédit Agricole Italia Banking Group, it is reported that, from 31 December 2018 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 2018.

NETWORK RATIONALIZATION

In 2019, the rationalization of the Group's physical structures is going to continue with the closure of 102 branches.

MEDIUM-TERM PLAN (MTP)

The Group has announced that, in June, it is going to present its new Medium-Term Plan (MTP).

MERGER OF CRÉDIT AGRICOLE CARISPEZIA

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 16,539,731.00 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.

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.

The merger is expected to become legally effective by the end of July 2019.

MACROECONOMIC AND BANKING OUTLOOK FOR 2019

MACROECONOMIC SCENARIO[9]

For 2019, there are more and more signals that the rate of growth of the world economy is slowing down faster than expected, with all the associated forward-looking risks. According to forecasts:

- in the **United States**, GDP is expected **to grow** by +2.2%, vs. +2.9% in 2018, with this slowdown caused by lower domestic demand. The monetary policy is going to remain prudent and the budgetary policy is going to support households and businesses. However, the increasing uncertainty on global growth and the expected high variability on the stock exchanges is going to undermine the confidence of businesses and households, resulting in lower domestic demand;
- in the **Emerging Countries**, economic growth is expected to remain modest. As to Brazil, in addition to a lower contribution of foreign demand resulting from the slowdown in the world economic cycle, it is still not clear whether the new President will have the will and political strength required to pursue the reforms aimed at strengthening government finance. The Chinese economy is continuing to slow down, with the GDP expected to increase by +6.0%, vs. +6.6% in 2018, but without rocking, thanks to the support provided by the economic policy and to the contribution of net exports, which is expected to return positive in 2019;
- in the **United Kingdom**, GDP is expected to continue to grow at a modest rate, up by +1.2%, essentially in line with the previous year (+1.3%), below its potential but without rocking in its trade relations with the EU. The Brexit matter is still open and, for the time being, different possibilities remain on the table, among which a no-deal Brexit is the extreme one.

Trade tensions have generated a material impact on global economy and, until a new stable layout of international trade is reached, uncertainty may continue to hinder growth. On top of the uncertainty factors, such as international trade performance and the future normalization of monetary policies, the devaluation of Asian currencies is also to be considered. The result is lower purchasing power in these Countries and, therefore, their lower contribution to international trade growth. Moreover, Europe and the United States would be penalized by the strengthening of their currencies and by the lower increase in foreign demand; however, the EMU is going to be even more affected because of the lower support from budgetary policies vs. those of China and the USA.

As regards the **financial system and monetary policies**, after the fourth increase in interest rates in December and the expected economic slowdown, in January the **Fed** decided to leave interest rates unchanged vs. the end of 2018 at 2.25% - 2.5% and has not said anything about any further increases in 2019.

The **ECB has confirmed the end of the Quantitative Easing**, effective as of January 2019, with no more net purchases of government securities. Nevertheless, within the QE scope, the ECB is going to continue to reinvest the principal repaid on maturing securities for an extended period of time. The ECB President Mario Draghi has also mentioned the **possibility** that the ECB may decide to implement yet another long-term liquidity refinancing plan through **a new TLTRO programme**. Moreover, in January 2019, the ECB left interest rates unchanged and confirmed that they are going to remain at the present level at least until the summer of 2019, in order to ensure that inflation steadily continues to go towards the target value close to but lower than 2% in the medium term.

EURO AREA

Europe is expected to continue to grow, albeit at a modest pace because of the uncertainties caused by global factors, both economic and political. Overall, **in 2019 the GDP is expected to grow by +1.0%** vs. +1.8% in 2018. Furthermore, the May 2019 European elections are a key political event, as they may change the political balances.

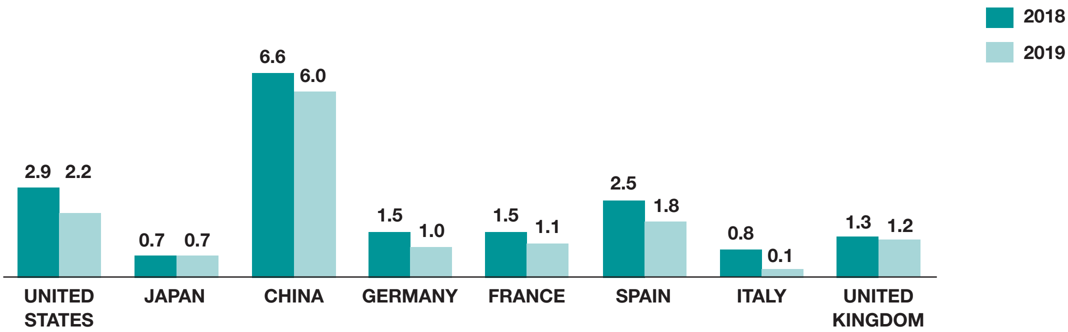
Having regard to key Countries:

- **Germany** heavily relies on exports and, therefore, it is expected to suffer from the deterioration in the international scenario. In 2019, its GDP is expected to grow by **+1.0%**;
- **France** expects its GDP growth to slow down (+1.1%), affected by the negative effect on confidence

9 Source: Prometeia, Forecast Report (December 2018).

caused by the protests against the increase in fuel prices at the end of 2018 and by the uncertainty as regards the forthcoming economic policy choices;
- **Spain**, despite exports being expected stable and domestic demand being expected to decrease, has been forecast as the liveliest economy of the Euro Area, with the GDP increasing by +1.8%.

GDP: % YOY change



Source: Prometeia - Brief, Italy in the global economy (February 2019).

THE ITALIAN ECONOMY

In a scenario featuring internal and external risk factors, in 2019 the Italian GDP is expected to grow by +0.1% vs. +0.8% in the previous year. The expected economic growth of Italy is markedly lower than the ones of other EU Member States and mainly due to the lower expansionary drive given by the budgetary law and to the legacy of the second half of 2018.

Overall, **support to households' disposable income has remained the focus of the budget bill** with higher welfare benefits, measures intended to increase the employment rate and pays of public sector employees and with the extension of the flat-rate regime for self-employed workers. However, the termination of the Allowance for Corporate Equity (ACE) benefits and of the incentive for investment on capital goods (known as the 'maxi-amortization'), the downgrading of 4.0 incentive and tax credits on research and development are all to be considered. The uncertainty and the increase in the average cost of debt are going to cause the debt/ GDP ratio to increase to 132.4 with only marginal recovery in the following years.

- starting in 2019, **exports**[10] should return to grow, but at modest rates (+2.4%), despite the expected decrease in oil prices. Exports are going to suffer from modest growth in demand on target markets and from progressively less favourable exchange rates;
- after a slight decrease expected in 2019 (-0.2%) caused by lower investments (-1,0%) in capital goods by businesses, the **investment** cycle is expected to increase in the following years, also thanks to the stabilization in the international economic cycle and to the forecast decrease in spread. However, the growth rates are going to be lower than those posted between 2015 and 2018, also due lower tax benefits;
- in 2019, the **manufacturing industry** is expected to slow down slightly: Up by +1.4% vs. +1.7% in 2018, due to lower foreign demand and to the possible decrease in investments;
- in 2019, the increase in **consumption expenditure** is expected to decrease, despite a progressively higher purchasing power driven, especially in 2019-20, by the budgetary policy mainly through the increase in welfare benefits. In 2019, these trends are expected to be strengthened by the slowdown in inflation;
- the **unemployment rate**, which is going to remain at 10.5% in 2019, is expected to decrease very slowly in the next years, however remaining above 10%. The measures provided by the Government's economic bill, such as "Quota 100" (possibility to retire for workers at least 62 years old with pension contributions paid for at least 38 years), should increase the demand for workers; nevertheless, the comparison between the features of exiting and entering workers leads to expect worse problems in terms of skills-geographical areas mismatch.

10 Source: Prometeia, Forecast Report (December 2018): chained value, % change
11 Source: Prometeia, Analysis of Industrial Sectors (October 2018).

THE BANKING SCENARIO[12]

In its 2018 "Risk assessment of the European banking system" annual report, the European Banking Authority has pointed out that "the resilience of the European Banking System has improved, but clear challenges remain in terms of profitability, funding and operational risks". Specifically:

- banks' **profitability** features: a lower contribution given by net interest income, despite higher loan volumes, by the decrease in non-performing assets and by the increase in net fee and commission income. High costs, especially for investments in Information Technology, and low efficiency are, in the EBA's opinion, the main cause of the weak performance of the European Banking Sector;
- as regards **funding**, banks will have to operate in a scenario featuring lower and lower supportive measures implemented by the European Central Bank, the obligation to comply with the minimum requirements laid down by the EU legislation on bail-in, market volatility and possible increase in interest rates;
- banks will have to **manage higher operational risks**, mainly in terms of cyber-risk and data-security, which are going to require continuous investments;
- the **geopolitical tensions** and the **vulnerability of some economic and financial systems**, especially in emerging markets, may result in banks having to face adverse scenarios with possible impacts on funding, asset quality and profitability.

Italian banks are continuing in the process to align their asset quality parameters to the EU average. This is required by the new regulatory framework, which, with its provisioning calendar, requires portfolios to be written down in a short time. After the considerable sales of **NPLs** made last year, in 2019 it may be the turn of small-medium size banks to remove non-performing loans from their balance sheets. Gross bad loans are expected to decrease by 34%, with a stock that is expected to amount, at the end of 2019, to euro 74 Bln (vs. euro 112 Bln at the end of 2018).

The new competition and regulatory scenario has been requiring banks to make important changes, as they have to interpret new strategies and implement new service models in order to reconcile regulatory changes with the need to catch the opportunities given by **digitalization**, trying to meet customers' new needs and to mitigate the impacts on costs and profitability.

Based on these elements, for 2019 the expected performances of the **main balance sheet aggregates** are given below:

- <u>loans</u>: the economic activity is going to slow down, mainly as regards investments, with the subsequent reduction in businesses' financial needs, while stable household spending is going to support mortgage loans and consumer credit;
- <u>funding from customers</u>: in the last part of 2019, because of the increase in the policy rate, medium-/long-term funding forms will start to be preferred: the amount of fixed-term deposits should start to stabilize and, in 2021, the annual net flow will return to be positive;
- <u>indirect funding</u>: after the slowdown in 2018, it is expected to increase by +4% YOY according to the estimates, thanks to the growth (+5% YOY) in asset management products (funds, insurance and wealth management) and to assets under administration returning to grow (+2% YOY).

Thanks to their portfolio strategies, **Banks' capitalization** should be more protected from movements in the yield curve of government securities and support is expected to capital ratios from profits for the period and from the decrease in risk-weighted assets (RWA).

In 2019, profits are expected essentially stable in a scenario featuring higher uncertainty, which emphasized the sensitivity of capital ratios to the widening of the spread between government securities. The funding conditions for the banking sector are a key element for profitability recovery.

Specifically:

- <u>income up by +2.3%,</u> thanks to the steady growth in net interest income that benefited from higher returns on securities and from the increase in Italian Government securities held. Albeit increasing, fee and commission income is expected to be affected, again in 2019, by the risks on financial markets and by lower competitiveness of asset management instruments, while the revenues from asset under administration will continue to decrease. The slower growth in fee and commission income from asset management and intermediation will continue to reflect also the revised pricing policies for the various products in compliance with the development in legislation entered into force in 2018;

12 Source Prometeia Bank Financial Statement Forecast (January 2019)

- enhanced operational efficiency, with expenses down by 4.0% in 2019. Control of operating costs remains a priority and the rationalization of physical structures is going to continue. The closure of branches and the reduction of employees are going to bridge the gap in terms of productivity and operational efficiency vs. international competitors. The aforementioned elements are countered by mainly regulatory and technological factors requiring **investments and higher resources**;
- additional adjustments of loans are expected vs. 2018, when the benefits from the IFRS9 FTA applied. Specifically, the plans designed by banks to manage non-performing loans may require, especially in 2019, additional adjustments because of sales of NPL portfolios (especially for the sales backed by State guarantees - GACS) made at lower prices than those used in sale simulations for the impairment estimate within the FTA scheme.

In early 2019, the ECB published its new supervisory expectations on non-performing loans, according to which every bank shall increase its provisions up to full coverage of its existing NPL stock over a set time horizon; indeed, each bank is going to have its own deadline in accordance with its health and weight of the NPLs in its portfolio.

In January 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 preserve financial stability and in compliance with EU directives, the Italian Government passed measures for State aid: State guarantees on new bond issues, which Carige has already partially applied for, and a State fund to cover the expenses for the bonds and for any subscription of shares of the bank in case of precautionary recapitalisation.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE - INFORMATION PURSUANT TO ARTICLE 123-BIS PARAGRAPH 2, LETTER B) OF ITALIAN LEGISLATIVE DECREE 58/98 (Italian Consolidated Act on Finance - TUF)[13]

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.

13 The main features of the risk management and internal control systems in place regarding the financial reporting process, also at a consolidated level, where applicable

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 by the Italian Law), of the structures engaged in control functions, of all Staff members and of the Independent Auditors.

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

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

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

The Departments and Roles engaged in 2nd 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 mechanisms 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 body engaged in strategic oversight functions has implemented organizational models and operating and control mechanisms that are adequate to and complying with the applicable regulations and with corporate strategies.

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

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

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

DEPARTMENTS ENGAGED IN CONTROL FUNCTIONS

The organization of the Crédit Agricole Italia Banking Group includes three main structures that are engaged in control functions and are independent; within their scope of action and in accordance with their functions, these structures ensure constant control on all corporate operations and on the risks generated by such operations:

- the Risk Management and Permanent Controls Department (who includes the Validation Unit) and the Compliance Department, 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 Act on Finance, the Manager in Charge has the task of monitoring and overseeing the internal controls system relating to accounting and financial reporting.

RISK MANAGEMENT AND PERMANENT CONTROLS DEPARTMENT

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

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

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

- credit risks, including:
  - concentration risks;
  - counterparty risks;
- market and financial risks;
- operational risks, specifically including:
  - insurance Coverage risks;
  - information and Communication Technology (ICT) Risk (Information System and Security of Information Systems);
  - risks concerning the Business Continuity Plan (BCP);
  - physical Security;
  - risks concerning the provision of “Outsourced Important Operational Functions (Italian acronym FOIE)”, which the Parent Company Crédit Agricole S.A. calls “Provision of Outsourced Essential Services (PSEE)”.

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

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

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

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

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

INTERNAL AUDIT DEPARTMENT

The Internal Audit Department is independent of any and all departments and roles engaged in management and decision-making functions that entail risk-taking: indeed, its organizational placement provides for its reporting on a dotted line directly to the Chief Executive Officer of Crédit Agricole Italia and for its solid-line reporting to the Internal Audit Department of the Controlling Company Crédit Agricole S.A.

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;
- 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 mandatory legislation provisions or self-regulation. Since January 2018, the Group Compliance Department has been reporting 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 to ensure 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, 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.

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

MANAGER IN CHARGE

Pursuant to aforementioned Article 154-bis, in a specific document attached to the Annual Report and Financial Statements, to the Annual Report and Consolidated Financial Statements and to the Half-yearly 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 ACT 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 Act 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 resolved 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 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 (hereinafter referred to as "GBCAI") are part of the Consolidated Non-Financial Statement prepared by the French Parent Company Crédit Agricole S.A.; therefore, the GBCAI 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 2018 in compliance with D.Lgs 254/2016.

Certification of compliance of the Annual Report and Consolitaded Financial Statements pursuant to Article 154-bis of Italian Decree dell'art.154 bis del D. LGS. 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 2018 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 2018

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, 26 March 2019

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 962.672.212,00 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 2018 – Non-financial Statement

Dear Shareholders,

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

- the Italian Civil Code;
- italian Legislative Decree No. 39 of 27 January 2010 as amended by Directive 2014/56/EU, at Article 28, which was implemented in Italy with Italian Legislative Decree No. 135/2016; Italian Legislative Decree No. 58 of 24 February 1998 (the "Italian Consolidated Act on Finance");
- the Italian legislation on the Bank of Italy's supervisory activities, with specific reference, as regards this point, to Italian Legislative Decree No. 385 of 1 September 1993 (the "Italian Consolidated Banking Act"), to Italian Legislative Decree No. 231 of 21 September 2007 ("Implementation of Directive 2005/60/EC concerning the prevention of the use of the financial system to launder criminal activities' proceeds and to fund terrorism, as well as Directive 2006/70/EC providing for the relevant implementation measures, as amended and supplemented").
- the Instructions and Provisions issued by the Bank of Italy, especially the Supervisory Provisions concerning Banks' Organization and Corporate governance.

The Board of Auditors performed its activities also in consideration of the Principles of Conduct recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili ((the Italian National Association of Chartered Accountants and Tax Advisors).

Supervisory activities

In the reporting year, this Board supervised:

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

In order to perform all the above, in the period from the date of preparation of the Report to the 2018 Financial Statements to today's date, the Board of Auditors held 59 meetings (substantiated by the relevant minutes entered in the Book of minutes of the meetings of the Board of Auditors); specifically, the Board:

- carried out its self-assessment on 18 March 2018, 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, as well as in the review of the reports prepared by them;
- carried out professional refresher and training activities, also by participating in external events.

Moreover, this Board:
1. attended all the General Meetings of Shareholders and all the meetings of the Board of Directors and of the Executive Committee and, therefore, it can state that such meetings were held in compliance with the Articles of Association and with the applicable legislation governing them;
2. obtained information from the Directors, thanks to its participation in the meetings of the Board of Directors and of the Board Committees and in the meetings with the Top Management (Chief Executive Officer, 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 significant transactions, in terms of their size or features, carried out by the Company.
3. the Executive Committee and the Chief Executive Officer regularly reported to the Board of Directors on the exercise of their respective responsibilities and powers, as well as on all material transactions.
4. participated, as the full Board, in all the meetings of the Audit Committee for Internal Control, which is a BoD Committee, and constantly cooperated and coordinated with it;
5. participated, represented by its Chairman and/or another of its Members, in the Loan Committee of the Bank and of the Group;
6. 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 Activities and Conflicts of Interests with Associated Persons" of the Crédit Agricole Italia Group;
7. worked in close cooperation with the Boards of Auditors of the Subsidiaries, also through joint meetings held with their respective Control Bodies;
8. worked in cooperation, also through specific meetings and contacts, with the Organismo di Vigilanza, the Body in charge of offence prevention - AML, Terrorism Financing, etc. - provided for by Italian Legislative Decree No. 231/01, in whose meetings the Chairman of the Board of Auditors and/or another Auditor are regularly invited to participate.

Therefore, based on the activities it performed, this Board can report that, in the 2018 financial year, no atypical and/or unusual transactions, also intra-group or with related parties, were carried out which could jeopardize the Company's assets and equity. 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 2018 are properly reported.

Moreover, in the reporting period, this Board monitored the following material transactions:
- the process for the absorption of the banks (Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A.) that has been acquired on 21 December 2017 from the Italian Interbank Deposit Protection Fund - Voluntary Scheme;
- the share capital increase of euro 147 million (of which euro 26.7 million to share capital and euro 120.3 million to share premium reserve) authorized on 18 May 2018 in order to handle the impacts resulting, on the one hand, from the end of the Basel 3 phase-in arrangements and, on the other hand, from the entry into force of the new IFRS9.
- the "Valery Project", which led to the sale, at Group level, of euro
- 1,356 million worth of Non-performing Loans, comprising UTP and bad loans, in accordance with the Group's NPE Strategy and with the ECB "guidance to banks on non-performing loans";
- the process for the acquisition (completed in 2019), first through the purchase and then the transfer by Fondazione Carispezia of 20% of the share capital of Crédit Agricole Carispezia S.p.A., for its merger by absorption, which is going to be finalized in 2019.

Moreover, in 2018 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 2017" was submitted to the Board of Directors on 27 April 2018 after being examined by this Board, whereas the "ICAAP Report as at 31 December 2018" is going to be submitted to the Board of Directors on 30 April 2019;
- 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 issued Covered Bonds;
- report prepared by the Internal Audit Department on operations regarding Covered Bonds;
- amendments to the Company's Articles of Association dealt with at the General Meetings of Shareholders on 26 February, 18 May and 4 June.

As regards relations with the Supervisory Authority, it is specifically reported as follows:
- on 27 April 2018, the European Central Bank 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;
- as regards the matters within its responsibility scope, this Board can state that, in 2018, the CA Italia Group complied with the requests made by the Regulator implementing an action plan, which was examined by the Board of Directors on 12 June 2018, and timely provided the quarterly brief to the Regulator;
- at the Board meeting held on 12 November 2018, 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 on anti-money-laundering and on transparency and fairness of relations with customers;
- at the same meeting, the letter of the Consumer Protection and Anti-Money Laundering Directorate of the Bank of Italy was also delivered, setting out the procedure to agree with Supervisor on the improvement actions to be implemented: this procedure shall also contribute to the settlement of the proceedings started following the audit, the outcome of which is going to depend also on the effectiveness of the corrective actions already implemented and planned by the Bank;
- the Board of Auditors can state that the findings reported by the Supervisory Authority were examined and thoroughly assessed without delay by the Bank's relevant structures and corporate bodies, which sent - in accordance with the set terms - their Considerations on such findings, along with the related Counterarguments, as well as the adopted corrective Plan: in this Board's opinion, this is adequate to the supervisory findings and expectations.

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 and on the adequacy of the financial reporting process

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:
- 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.

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 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.

Therefore, 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, Human Resources Administration were transferred to this Company.

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.

The Manager in Charge and the Chief Executive Officer have signed the certifications on the separate and consolidated financial statements as at 31 December 2018 as provided for 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 of the Independent Auditors" sent on 8 June 2018 and regarding some points of attention in the company's operations, as well as the Additional Report issued on 29 March 2019, 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 analysis 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

As regards Risk Management, 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 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;
- foreign exchange 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 26 March 2019, the Board of Directors approved the "Remuneration Policies of the Crédit Agricole Italia Banking Group for 2019 and the actual figures for 2018" 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.

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, without violating the Internal Audit independence;
- monitoring the statutory audit of annual accounts, both separate and consolidated;
- verifying and monitoring the independence of the statutory auditors or of the audit firm tasked with the statutory audit of the accounts pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of the Decree and to Article 6 of Regulation (EU) 537/2014 of 16 April 2014, especially as regards the provision of services other than statutory audit (non-audit services) to the audited entity, in compliance with Article 5 of the Regulation;
- supervising the procedure for the selection of statutory auditors or audit firms and recommending statutory auditors or audit firms to be appointed pursuant to Article 16 of Regulation (EU) 537/2014, where necessary.

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).

n this regard, pursuant to the aforementioned Article 19, in 2018 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. As mentioned above, it is pointed out that, on 8 June 2018, the Independent Audit Firm sent the document called “Letter of comments of the Independent Audit Firm”.

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 29 March 2019 and that set forth the matters examined during the various meetings held since the previous report to the Shareholders:

- the Audit Report on the Consolidated Financial Statements issued pursuant to Article 14 of Italian Legislative Decree No. 39/2010 and to Article 10 of Regulation (EU) No. 537/2014, which is dealt with in the “Separate and Consolidated Financial Statements and proposal for the allocation of the profit for the year”;
- 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 2018;
- the Additional Report, also issued on 29 March 2019, pursuant to Article 11 of Regulation (EU) No. 537/2014, including the annual confirmation of independence, also issued on 5 April 2018, pursuant to Article 6 paragraph 2) letter a) of Regulation (EU) No. 537/2014 and to paragraph 17 of International Standard on Auditing (ISA) Italia 260.

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 2018, 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.

Annual Report and separate and consolidated financial statements

Pursuant to Legislative Decree No. 38 of 28 February 2005 and by Circular No. 262 issued by the Bank of Italy on 22 December 2005, as updated on 22 December 2017 (fifth update), the Financial Statements were prepared in accordance with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) applicable and in force as at 31 December 2018, 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, the Italian Securities and Exchange Commission (CONSOB) and ISVAP (the Italian Insurance Supervisory Authority) No. 4 of 3 March 2010, on the application of IAS/IFRS).

The Consolidated Financial Statements as at 31 December 2018 are governed by Italian Legislative Decree No. 38 of 28 February 2005 and by Circular No. 262 of the Bank of Italy of 22 December 2005, as amended in December 2017, and were prepared in accordance with the International Accounting Standards and the International Financial Reporting Standards (IAS/IFRS) as well as with the relevant interpretations issued by the IFRIC, as endorsed by the European Commission pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. As specified by the Directors in the Note to the Consolidated

Financial Statements, the consolidation perimeter 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 2018, 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 29 March 2019, this Board of Auditors received the Independent Auditors' 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 2018, which sets forth that, in the Independent Auditor's opinion, both the separate and consolidated financial statements provide a "truthful and correct representation of the Company's equity and financial position as at 31 December 2018, 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 Boards acknowledges that the Manager in Charge and the Chief Executive Officer have signed the certifications on the separate and consolidated financial statements as at 31 December 2018 as provided for by Article 81-ter of the Issuers' Regulation approved by CONSOB with Resolution 11971/1999 as amended and supplemented.

Finally, having regard to the Management Report and to some specific pieces of information contained in the report on corporate governance and ownership structure, it is pointed out that the statutory auditor's reports attest that they are consistent with the Group's Consolidated Financial Statements and with the Separate Financial Statements as at 31 December 2018 and have been prepared in compliance with the applicable law.

Non-Financial Statement

In accordance with Italian Legislative Decree No. 254/2016 concerning disclosure of non-financial information and with the related implementing Regulation issued by CONSOB with its resolution of 18 January 2018, this Board of Auditors supervised, in performing its functions, compliance with the related provisions on the preparation of the Non-Financial Statement (hereinafter, also "NFS"), which was approved by the Board of Directors on 26 March 2019 as a free-standing document separated from the Annual Report and Financial Statements.

This Board had meetings with the representatives of the appointed Audit Firm (EY S.p.A.) and examined the documentation made available to it. Finally, this Board acknowledged the report issued by the Audit Firm on 29 March 2019 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

The proposal for the allocation of the net profit of Crédit Agricole Italia S.p.A., amounting to euro 252,124,086, which is submitted to the Shareholders for their approval, is the following:
- euro 12,606,204, equal to 5% of the net profit to Legal Reserve;
- euro 1,300,000 to charity, to be used for social and cultural initiatives, in accordance with the Articles of Association;
- euro 128,573,228, equal to 60% of the distributable profits after the statutory allocations, as dividends to the Shareholders;
- euro 109,644,654 to extraordinary reserve.

In this regard, the Board of Auditors can state that this proposal was sent by Crédit Agricole S.A. to the ECB on 1 February 2019 in order to supplement its COREP (received on 11 February 2019) and obtained the ECB's validation on 11 February 2019. The consolidated capital ratios as at 31 December 2018 were above the ratios required by the ECB within the SREP, and came to:

- Consolidated Common Equity Tier 1 (CET1) Ratio: 11.2%.
- Tier 1 ratio: 13.8%.
- Total Capital Ratio: 16.8%.

The dividends to be distributed are equal to 60% of the distributable profit consistently with the set capital ratios.

Conclusions

Dear Shareholders,

Based on the considerations reported above as resulting from the supervisory activities performed by this Board and on the outcome of the activities carried out by the firm tasked with the statutory audit of accounts "EY S.p.A." as contained in its Independent Auditors' 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 2018, as prepared and submitted to you by the Board of Directors.

This Board agrees on the above-reported proposal of allocation of the profits for the period as submitted by the Board of Directors.

Having reach the end of its term of office, the Board of Auditors wants to express its thanks to the Bank, represented here by the Chairman, the Chief Executive Officer and the Department Heads, for the constant, attentive and constructive support ensured to the activity of this Board. Consequently, the General Meeting of Shareholders scheduled for 30 April 2019 shall appoint the new Board of Auditors for the 2019-2021 three-year period.

Parma, Italy, 8 April 2019

The Board of Auditors

(Paolo Alinovi)

(Luigi Capitani)

(Maria Ludovica Giovanardi)

(Stefano Lottici)

(Germano Montanari)

Independent Auditors' Report

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Crédit Agricole Italia S.p.A.

Consolidated financial statements as at December 31, 2018

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.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

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, 2018, 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, 2018 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.

We identified the following key audit matters:

Key Audit Matter	Audit Response
First time application of the International Financial Reporting Standard 9 - Financial Instruments	
On January 1, 2018 the International Financial Reporting Standard 9, endorsed by the European Commission on November 22, 2016 with Regulation no. 2016/2067 (the “Standard” or “IFRS 9”) became effective, replacing the standard IAS 39 in relation to the classification and measurement of financial instruments. As required by IAS 8 “Accounting policies, changes in accounting estimates and errors” and in accordance with the first time application approach required by IFRS 9, the Group accounted for in the opening balances the negative cumulative effects derived from the transition to the new Standard, for an amount of Euro 470 million, including non-controlling interests’ share. Moreover, the Group has exercised the option foreseen by the Standard not to restate the comparative data. The IFRS 9 first time application was a relevant aspect for the audit both because the impacts on financial figures have been significant for the financial statements as a whole and for the implementation required in terms of processes, controls, valuations models and IT systems. The disclosure on the effects of the first time application of IFRS 9 is provided in the paragraph “Disclosure on first-time application of IFRS 9 – Financial instruments” of the notes to the financial statements.	In relation to this matter, our audit procedures included, among others: • understanding and analysis of the main accounting and application choices made by the Group, in relation to the classification and valuation of financial instruments; • understanding and analysis, also with the support of our specialists in valuations of financial instruments and IT systems, of the processes and controls implemented in relation to the IFRS 9 first time application and the execution of tests on key controls, including those relating to IT, in order to verify their operational effectiveness; • understanding and analysis, with the support of our specialists in valuations of financial instruments, including non performing loans, and IT systems, of the calculation by the Group of the first time application adjustments and performance of substantive procedures aimed at verifying their consistency with the requirements of the Standard; • analysis of the adequacy of the disclosures provided in the notes to the financial statements.
Classification and valuation of loans to customers	
Loans to customers measured at amortised cost presented in line item 40 b) of the balance sheet amount to about Euro 51 billion as at December 31, 2018, and represent approximately 80% of total assets. The classification and valuation of loans to customers is relevant for the audit because the value of loans is significant for the financial statements as a whole and because the value of the related impairment losses is determined by the directors through the use of estimates that	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, with the support of our specialists in IT systems, in order to verify their operational effectiveness;

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 mortgage 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, in Part B - Information on the balance sheet, in Part C - Information on the income statement and in Part E - Information on risks and related hedging policies of the notes to the financial statements.

- 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 IFRS 9 first time application 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;
- analysis of the adequacy of the disclosure provided in the notes to the financial statements.

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 1,326 million, of which Euro 638 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, almost entirely attributable to Cassa di Risparmio di

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

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Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato acquired at the end of 2017 and merged in the Parent Company during 2018, 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 solely of the Parent Company, Crédit Agricole Italia S.p.A., as well as on the fiscal consolidation of the Crédit Agricole Italia Banking Group.

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:

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

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

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's forecasted income statement and balance sheet and of the additional assumptions used for the purpose of estimating 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*.

Finally, 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, 2018 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

Our audit procedures in response 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 2018 with the corresponding budget figures, in order

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 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 2019 and the medium-long term financial forecast for the period 2020-2023.

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 in Part B - Information on the balance sheet of the notes to the financial statements.

to understand the reasons underlying the main differences.

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

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

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

The Directors are responsible for assessing the Group's ability to continue as a going concern 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.

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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, 2018, 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, 2018 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, 2018 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, March 29, 2019

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

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

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

Assets			31 Dec. 2018	31 Dec. 2018
10.	10.	Cash and cash equivalents	295,958	1,990,365
20.		Financial assets measured at fair value through profit or loss	125,156	
	20.	a) financial assets held for trading;	97,425	74,252
	30.	b) financial assets designated at fair value;	-	99
		c) other financial assets mandatorily measured at fair value	27,731	
30.		Financial assets measured at fair value through other comprehensive income	3,260,746	
	40.	Financial assets available for sale		5,344,090
	50.	Investments held to maturity		2,234,277
40.		Financial assets measured at amortized cost	54,538,381	
	60.	a) loans to banks	3,537,099	7,237,907
	70.	b) loans to customers (*)	51,001,282	44,251,456
50.	80.	Hedging derivatives	575,331	570,367
60.	90.	Fair value change of financial assets in macro-hedge portfolios (+/-)	40,153	26,085
70.	100.	Equity investments	27,755	33,868
80.	110.	Technical insurance reserves reassured with third parties	-	-
90.	120.	Property, Plant and Equipment	847,790	838,358
100.	130.	Intangible assets	1,936,197	1,959,264
		- of which goodwill	1,575,536	1,575,536
110.	140.	Tax assets	1,639,049	1,458,004
		a) current	313,111	317,587
		b) deferred	1,325,938	1,140,417
		b1) pursuant to Italian Law No. 214/2011		725,894
120.	150.	Non-current assets held for sale and discontinued operations	-	98
130.	160.	Other assets	463,033	694,075
Total assets			**63,749,549**	**66,712,565**

(*) This item reports debt securities and loans in the amortized cost portfolio. Previously, this item reported financial assets that were not listed on an active market (Level 2 and Level 3) to Banks and customers

As set forth in the "Statement of compliance with the International Accounting Standards", the Crédit Agricole Italia Banking Group, consistently with the choices made by the Crédit Agricole Group, has opted to exercise the option provided for by IFRS 9 and IFRS 1, not to restate the comparison figures of the IFRS 9 first-time adoption financial statements.

Liabilities and equity items			31 Dec. 2018	31 Dec. 2018
10.		Financial liabilities measured at amortized cost	54,188,823	
	10.	a) Loans to banks	6,029,653	7,059,113
	20.	b) Due to customers	39,698,913	40,575,365
	30.	c) Debt securities issued	8,460,257	9,715,753
20.	40.	Financial liabilities held for trading	73,515	75,820
30.		Financial liabilities designated at fair value	-	
	50.	Financial liabilities measured at fair value		67,201
40.	60.	Hedging derivatives	564,549	527,675
50.	70.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	361,962	373,754
60.	80.	Tax liabilities	264,790	231,849
		(a) current	155,808	146,014
		b) deferred	108,982	85,835
70.	90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80.	100.	Other liabilities (*)	1,392,866	1,126,839
90.	110.	Employee severance benefits	135,722	151,130
100.	120.	Provisions for risks and charges	388,612	433,953
		a) financial guarantees and other commitments (*)	37,254	
		b) post-employment benefits and similar obligations	38,273	40,191
		c) other provisions for risks and charges	313,085	393,762
110.	130.	Technical reserves	-	-
120.	140.	Valuation reserves	-142,181	-18,941
130.	150.	Redeemable shares	-	-
140.	160.	Equity instruments	715,000	365,000
150.	170.	Reserves	1,266,117	1,150,176
160.	180.	Share premium reserve	3,117,708	2,997,386
170.	190.	Share capital	962,672	934,838
180.	200.	Treasury shares (+/-)	-	-4,065
190.	210.	Minority interests (+/-)	185,496	259,479
200.	220.	Profit (Loss) for the period	273,898	690,240
Total liabilities and equity			**63,749,549**	**66,712,565**

(*) The “financial guarantees and other commitments” item shall report credit risk allowances resulting from commitments to disburse funds and from financial guarantees given, which were previously reported under Other liabilities

INCOME STATEMENT

Items			31 Dec. 2018	31 Dec. 2017
10.	10.	Interest and similar income	927,732	1,016,183
		Of which: interest income applying the effective interest rate method (*) ($)	921,427	
20.	20.	Interest and similar expense	65,550	(149,960)
30.	**30.**	**Net interest income** (*)	**993,282**	**866,223**
40.	40.	Fee and commission income	931,731	781,817
50.	50.	Fee and commission expense	(40,184)	(47,756)
60.	**60.**	**Net fee and commission income**	**891,547**	**734,061**
70.	70.	Dividends and similar income	12,614	8,839
80	80	Net profit (loss) on trading activities	10,711	18,510
90	90	Net profit (loss) on hedging activities	(10,832)	(12,592)
100.	100.	Profit (losses) on disposal or repurchase of:	31,951	26,316
		a) financial assets measured at amortized cost	5,444	
		b) financial assets measured at fair value through other comprehensive income	26,428	
		c) financial liabilities	79	
		a) loans		(15,260)
		b) financial assets available for sale		43,128
		c) investments held to maturity		-
		d) financial liabilities		(1,552)
110.	110.	Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	3,176	
		a) financial assets and liabilities designated at fair value	-	
		b) other financial assets mandatorily measured at fair value	3,176	
		Net profit (loss) on financial assets and liabilities measured at fair value		(30)
120.	**120.**	**Net interest and other banking income**	**1,932,449**	**1,641,327**
130.	130.	Net losses/recoveries for credit risk on:	(252,314)	(237,536)
		a) financial assets measured at amortized cost	(251,366)	
		b) financial assets measured at fair value through other comprehensive income	(948)	
		a) loans		(212,736)
		b) financial assets available for sale ($)		(23,344)
		c) investments held to maturity		-
		d) other financial activities		(1,456)
140.		Profits/Losses on contract modifications without derecognition	(1,037)	
150.	**140.**	**Net income from banking activities**	**1,679,098**	**1,403,791**
160.	150.	Net premium income	-	-
170.	160.	Other net insurance income/expenses	-	-
180.	**170.**	**Net income from banking activities and insurance activities**	**1,679,098**	**1,403,791**
190.	180.	Administrative expenses:	(1,455,586)	(1,213,456)
		a) personnel expenses	(742,023)	(610,772)
		b) other administrative expenses	(713,563)	(602,684)
200.	190.	Net provisions for risks and charges	23,378	
		a) commitments and guarantees issued	4,592	
		b) other net provisions	18,786	
		Net provisions for risks and charges		(58,219)
210.	200.	Net adjustments of/recoveries on property, plant and equipment	(44,266)	(32,163)
220.	210.	Net adjustments of/recoveries on intangible assets	(84,748)	(71,877)
230.	220.	Other operating expenses/income	294,346	770,410
240.	**230.**	**Operating costs**	**(1,266,876)**	**(605,305)**
250.	240.	Profit (losses) on equity investments	8,530	8,048
260.	250.	Profit (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
270.	**260.**	**Goodwill impairment**	**-**	**-**
280.	270.	Profit (losses) on disposals of investments	118	349
290.	**280.**	**Profit (Loss) before tax from continuing operations**	**420,870**	**806,883**
300.	290.	Taxes on income from continuing operations	(128,817)	(105,003)
310.	**300.**	**Profit (Loss) after tax from continuing operations**	**292,053**	**701,880**
320.	310.	Profit (Loss) after tax from discontinued operations	-	-
330.	**320.**	**Profit (Loss) for the period**	**292,053**	**701,880**
340.	330.	Net profit (loss) for the period attributable to minority interests	(18,155)	(11,640)
350.	**340.**	**Net profit (loss) for the period attributable to the Parent Company**	**273,898**	**690,240** (#)

(*) The 5th update of Circular 262 requires that differentials on hedging derivatives, related to single items/technical forms, be reported under interest income or interest expense in accordance with the algebraic sign of interest (income or expense) of the single item/technical form that derivative contracts change. Before, the balance of all differentials on hedging derivatives was reported, in accordance with the related algebraic sign, under interest income or interest expenses.
($) The 5th update of Circular 262 requires that interest with time value effects, determined on impaired financial assets based on the original effective interest rate, be recognised under interest and similar income. Previously, writebacks with time value effects, equal to interest accrued in the period based on the original effective interest rate, were reported under net losses/recoveries on impairment of loans.
(#) Net profit as at 31 December 2017 took account of the badwill generated by the acquisition of the Fellini Banks

As set forth in the "Statement of compliance with the International Accounting Standards", the Crédit Agricole Italia Banking Group, consistently with the choices made by the Crédit Agricole Group, has opted to exercise the option provided for by IFRS 9 and IFRS 1, not to restate the comparison figures of the IFRS 9 first-time adoption financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Items			31 Dec. 2018	31 Dec. 2017
	10.	**Net profit (loss) for the FY**	**292,053**	**701,880**
		Other comprehensive income net of tax not recycled to profit or loss		
20.		Equity securities designated at fair value through other comprehensive income	(2,945)	
30.		Financial liabilities designated at fair value through profit or loss (changes in own credit rating)		
40.		Hedging of equity instruments designated at fair value through other comprehensive income	-	
50.	**20.**	Property, Plant and Equipment	-	
60.	**30.**	Intangible assets	-	-
70.	**40.**	Actuarial profit (losses) on defined-benefit plans	-	-
80.	**50.**	Non-current assets held for sale and discontinued operations	(2,120)	(794)
90.	**60.**	Share of valuation reserves on equity investments measured using the equity method	-	-
		Other comprehensive income after tax reclassified to profit or loss	-	(1,170)
100.	**70.**	Hedges of investments in foreign operations		
110.	**80.**	Foreign exchange differences	-	-
120.	**90.**	Cash flow hedges	-	-
130.		Hedging instruments (non-designated elements)	-	-
	100.	Financial assets available for sale		(4,398)
140.		Fair Value changes of debt instruments measured at fair value through other comprehensive income		
150.	**110.**	Non-current assets held for sale		-
160.	**120.**	**Share of valuation reserves on equity investments measured using the equity method**	**-**	**-**
170.	**130.**	**Total other comprehensive income after taxes**	**-**	**1,125**
180.	**140.**	Comprehensive income (Item 10+170)	(128,578)	(5,236)
190.	**150.**	**Consolidated comprehensive income attributable to Minority Interests**	**163,475**	**696,644**
200.	**160.**	**Consolidated comprehensive income attributable to the Parent Company**	**11,654**	**11,448**
200.	**160.**	**Consolidated comprehensive income attributable to the Parent Company**	**151,821**	**685,195**

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 that must be taken into account when analyzing the table.

As set forth in the "Statement of compliance with the International Accounting Standards", the Crédit Agricole Italia Banking Group, consistently with the choices made by the Crédit Agricole Group, has opted to exercise the option provided for by IFRS 9 and IFRS 1, not to restate the comparison figures of the IFRS 9 first-time adoption financial statements.

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018

	Share capital: ordinary	Share premium reserve	Reserves:		Valuation reserves	Equity		Net Profit (Loss) for the period	
			Retained earnings	Other					
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2017	**934,838**	**2,997,386**	**1,164,710**		**-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 IN OPENING BALANCE			-470,799		911				-469,888
GROUP SHAREHOLDERS' EQUITY AS AT 1 JANUARY 2018	**934,838**	**2,997,386**	**718,488**		**-18,030**	**365,000**	**-4,065**	**690,240**	**5,669,323**
MINORITY INTERESTS AS AT 1 JANUARY 2018	**100,356**	**135,025**	**-14,790**	**2,939**	**695**	**-**	**-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 IN THE PERIOD									
Change 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	-	-	7,030	-	-2,074	-	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**		**-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**

The impact generated by the IFRS 9 first-time adoption on equity is reported in the "Change to opening balances" row.

STATEMENT OF CHANGES IN EQUITY AS AT 31 December 2017

	Share capital: ordinary	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Treasury shares	Net Profit (Loss) for the period	Shareholders' Equity
			Retained earnings	Other					
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2016	**876,762**	**2,735,462**	**1,093,360**	**-14,534**	**-13,429**	**200,000**	**-4,035**	**208,124**	**5,081,710**
MINORITY INTEREST AS AT 31 DEC. 2016	**61,070**	**99,941**	**31,181**	**2,939**	**887**		**-964**	**10,844**	**205,898**
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR									
Reserves	-	-	89,205	-	-	-	-	-89,205	-
Dividends and other allocations	-	-	-	-	-	-	-	-129,763	-129,763
CHANGES IN THE PERIOD									
Change in reserves	-	-	-13	-	-	-	-	-	-13
Transactions on equity	-	-	-	-	-	-	-	-	-
Issue of new shares	**60,506**	**263,544**	**-**	**-**	**-**	**-**	**-**	**-**	**324,050**
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-15,640	-	-	165,000	-	-	149,360
Charity	-	-	1,512	-	-	-	-	-	1,512
Consolidation adjustments	-712	16,121	-3,794	-	-26	-	-	-	11,589
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	-	-	-	-	-	-
Changes in equity interests	37,568	17,343	-21,314	-	-442	-	-29	-	33,126
Comprehensive income	-	-	-	-	-5,236	-	-	701,880	696,644
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2017	**934,838**	**2,997,386**	**1,164,710**	**-14,534**	**-18,941**	**365,000**	**-4,065**	**690,240**	**6,114,634**
MINORITY INTEREST AS AT 31 DEC. 2017	**100,356**	**135,025**	**9,787**	**2,939**	**695**	**-**	**-963**	**11,640**	**259,479**

STATEMENT OF CASH FLOWS

	31 Dec. 2018	31 Dec. 2017
A. OPERATING ACTIVITIES		
1. Cash flow from operations	1,082,046	1,815,128
- profit (loss) for the period (+/-)	273,898	690,240
- "profit/losses on financial assets held for trading and on financial assets/liabilities measured at fair through profit or loss(-/+)"	1,637	-7,131
- gains/losses on hedging activities (-/+)	10,832	8,307
- net losses/recoveries for credit risk on (+/-)	211,153	197,541
- net adjustments of/recoveries on property, plant and equipment and intangible assets (+/-)	129,014	104,040
- Net provisions for risks and charges and other costs/revenues (+/-)	-23,378	58,219
- Taxes and levies to be paid (+)	128,817	105,003
- net adjustments /recoveries on discontinued operations net of tax effect (-/+)	-	-
- Other adjustments (+/-)	350,073	658,909
2 Cash flow generated/absorbed by financial assets	**391,196**	**-1,527,633**
- Financial assets held for trading	15,066	23,618
Financial assets designated at fair value	-	-
- Financial assets mandatorily measured at fair value	2,890	-
- Financial assets measured at fair value through other comprehensive income	-48,876	
- Financial assets available for sale		1,807,440
- Financial assets measured at amortized cost	214,374	
- Loans to banks: on demand		-118,248
- Loans to banks: other receivables		-2,044,954
- Loans to customers		-1,470,902
- Other assets	207,742	275,413
3. Cash flow generated/absorbed by financial liabilities	**-3,413,256**	**3,331,074**
- Financial liabilities measured at amortized cost	-3,301,861	
- Loans to banks: on demand		131,276
- Loans to banks: other due and payables		589,967
- Due to customers		3,743,012
- Debt securities issued		165,703
- Financial liabilities held for trading	-2,305	-37,479
- Other liabilities	-109,090	-1,261,405
Net cash flow generated/absorbed by operating activities	**-1,940,014**	**3,618,569**
B. INVESTMENT ACTIVITIES		
1. Cash flow generated by:	**24,586**	**295,520**
- sales of equity investments	11,731	10,038
- dividend received on equity investments	12,614	-
- sales of property, plant and equipment	241	8,839
- sales of intangible assets	-	1,199
- sales of business units	-	-
2. Cash flow absorbed by:	**-126,966**	**-1,660,255**
- purchases of equity investments	-5,917	-21,799
- purchases of investments held to maturity		-2,234,277
- purchases of property, plant and equipment	-54,049	-36,528
- purchases of intangible assets	-67,000	-60,517
- purchases of business units	-	692,866
Net cash flow generated/absorbed by investing activities	**-102,380**	**-1,650,217**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	148,156	-221,550
- issues/purchases of equity instruments	326,229	149,360
- distribution of dividends and other	-126,398	-129,763
Net cash flows generated/absorbed by funding activities	**347,987**	**-201,953**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**-1,694,407**	**1,766,399**

RECONCILIATION		
Financial Statement items	**31,12,2018**	**31,12,2017**
Opening cash and cash equivalents	1,990,365	223,966
Total net increase in cash and cash equivalents	-1,694,407	1,766,399
Cash and cash equivalents: foreign exchange effect	**-**	**-**
Closing cash and cash equivalents	**295,958**	**1,990,365**

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

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.

As set forth in the "Statement of compliance with the International Accounting Standards", the Crédit Agricole Italia Banking Group, consistently with the choices made by the Crédit Agricole Group, has opted to exercise the option provided for by IFRS 9 and IFRS 1, not to restate the comparison figures of the IFRS 9 first-time adoption financial statements.

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 Dec. 2017	Changes from cash flows generated by financing	Changes from obtaining or losing control of subsidiaries or other businesses	Changes at fair value	Othe changes	31 Dec. 2018
Liabilities arising from financing activities (items 10, 20, 30 of Liabilities)	57,493,628	-3,144,867	-	-86,423	-	54,262,338

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS PART A - ACCOUNTING PRINCIPLES

A.1 GENERAL

Section 1 – Statement of compliance with the International Accounting principles

The consolidated Financial Statements of the Crédit Agricole Italia Banking Group have been prepared pursuant to Italian Legislative Decree No. 38 of 28 February 2005, in accordance with the International Accounting Standards - IAS/IFRS - issued by the International Accounting Standards Board (IASB) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) 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 2018 (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 5th update published on 22 December 2017

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND ENTERED INTO FORCE IN 2018

Standards, amendments or interpretations	Date of publication	Date of first application
IFRS 9 Financial instruments Replacement of IAS 39 Financial Instruments: Recognition and Measurement	22 November 2016 (UE n° 2067/2016)	1 January 2018
IFRS 15 Revenue from Contracts with customers Replacement of IAS 11 Construction Contracts and IAS 18 Revenue	22 September 2016 (UE n° 1905/2016)	1 January 2018
Clarifications to IFRS 15 Revenue from Contracts with customers	9 November 2017 (UE n° 1987/2017)	1 January 2018
Annual Improvements to IFRS 2014–2016 Cycle: • IAS 28 Investments in Associates and Joint Ventures • IFRS 1 Additional Exemptions for First-time Adopters	7 February 2018 (UE n° 182/2018)	1 January 2018 1 January 2018
Amendments to IFRS 2: Classification and measurement of share-based payment transactions	26 February 2018 (UE n° 289/2018)	1 January 2018
Amendment to IAS 40 – Transfers of Investment Property: Clarifying when assets are transferred to, or from, investment properties	14 March 2018 (UE 2018/400)	1 January 2018
Amendment to IFRS 4 Insurance Contracts Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	3 November 2017 (UE n° 1988/2017)	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration Clarifications on IAS 21	3 April 2018 (UE n° 519/2018)	1 January 2018

The 2018 Financial Statements of the Crédit Agricole Italia Banking Group have been prepared for the first time in accordance with IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with customers".

IFRS 9 "Financial Instruments" has replaced IAS 39 "Financial instruments: recognition and measurement". The Standard is applicable for reporting periods starting on or after 1 January 2018. IFRS 9 was endorsed by the European Union on 22 November 2016 and published in the Official Journal of the European Union on 29 November 2016.

IFRS 9 lays down new principles on Classification & Measurement of financial instruments, credit risk measurement (impairment) and on Hedge Accounting, excluding macro-hedges.

IFRS 9 shall apply retrospectively with mandatory effective date on 1 January 2018 with adjustments to opening items on the first-adoption date; it does not require restatement of comparative data for the 2017 FY but it provides for optional restatement. Having regard to the representation of IFRS 9 first-time adoption effects, the Crédit Agricole Italia Banking Group has decided to exercise the option provided for in paragraph 7.2.15 of IFRS 9 and in paragraphs E1 and E2 of IFRS 1 "First time adoption of International Financial Reporting"; in accordance with these paragraphs, without prejudice to the retrospective application of the new measurement and recognition requirements of the standard, restating of prior year figures in the first-time adoption financial statements is not mandatory. In accordance with the instructions contained in the document issuing the 5th update of Bank of Italy Circular no. 262 "Banks' financial statements: layout and preparation", banks that opt for the exemption from the obligation to restate comparative figures shall nevertheless include a statement of reconciliation in their first financial statements prepared in accordance with the new update of Circular no. 262 and the statement of reconciliation shall set forth the method use and shall reconcile the figures as per the latest approved financial statements and the first financial statements in accordance with the new requirements. This information is given below, in the "Information on the first-time adoption of IFRS 9 - Financial Instruments" paragraph, in a table, in accordance with the independence given to the relevant corporate bodies as regards the form and contents of such information. For more exhaustive reporting on IFRS 9 developments, please refer to Part A.2- Part reporting on the main financial statement items.

IFRS 15 "Revenue from Contracts with customers" has replaced IAS 11 Construction Contracts, IAS 18 Revenue, as well as all related interpretations, namely IFRIC 13 customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. In accordance with this standard, revenue from transaction associated with provision of services shall be recognised when control on the service provision is transferred to the customer, if it can be reliably estimated. This transfer may occur as the service is provided (ongoing service) or on a specific date (one-off service). Fees and commissions to be paid or collected, or not yet earned, shall be progressively recognised as the performance obligation is satisfied over time. As regards the application of IFRS 15, based on the analyses carried out, the accounting treatment of the main cases of revenues from contracts with customers was found already compliant with the new standard; therefore, no material quantitative impacts have been generated on the Group's equity as recognised by the first-time adoption of the standard.

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

For its financial statements as at 31 December 2018, the Group did not adopt standards and interpretations that, on 31 December 2018, had already been published by the IASB and endorsed by the European Union, but that are applicable to reporting starting on or after 1 January 2019.

Standards, amendments or interpretations	Date of publication	Date of first application
IFRS 16 Leases Replacement of IAS 17 for recognition of leases	31 October 2017 (UE n° 1986/2017)	1° January 2019
Amendment to IFRS 9 – Financial instruments Prepayment Features with Negative Compensation	22 March 2018 (UE n° 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	23 October 2018 (UE 2018/1595)	1° January 2019

IFRS 16 "Leases", applicable to annual reporting periods starting on or after 1 January 2019, shall replace 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 changes 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 "Rights of use" approach.

Therefore, the reporting entity shall recognize all leases in which it is the lessee in the balance sheet:

- future lease payments shall be recognised under financial liabilities as Lease Liability, which reports the obligation to make future payments and is discounted at the marginal rate of discount (the liability decreases in accordance with payments made);
- fhe right of use, expressed in the contracts, shall be recognised reporting the value of the asset as a separate lease component, under property, plant and equipment and shall be calculated as the present value of the future lease payments, with a subsequent impact on RWAs.

In the income statement:

- the asset recognised as right of use shall be depreciated over the lease term of validity on a straight-line basis (impact on income from operations);
- interest expenses shall be calculated on the financial liability upon the lease payments (impact on financial expenses and income from banking activities);
- lease payments shall no longer be recognised under administrative expenses.

In 2018, the work analysis continued involving various structures of the Bank, with a special focus on the development of IT solutions for the management of all contracts falling within the scope of application of the new standard.

Upon its first-time adoption, the Crédit Agricole Italia Banking Group applied the modified retrospective approach pursuant to paragraph C.5 b) of IFRS 16 recognizing the cumulative effect of its first-time adoption as at the transition date (1 January 2019); consequently, no impacts are expected on the Group's equity. Conversely, the adoption of the new standard is expected to generate impacts on capital ratios, which have been estimated as a decrease of approximately 9 bps in the CET1 Capital ratio and of approximately 14 bps in the Total Capital ratio, subsequent to the increase in RWAs.

In determining the scope of application of the new standard, the Group exercised the options for the exemptions listed below:

- short-term leases (with a contractual term equal to or less than 12 months);
- leases of low-value assets (lease contracts for assets worth less than euro 5 thousand).

INTERNATIONAL ACCOUNTING STANDARDS NOT YET ENDORSED BY THE EUROPEAN UNION

The standards and interpretations that, as at 31 December 2018, had been published by the IASB but had not yet been endorsed by the European Union are not applicable by the Group:

Document title	Issued by the IASB on IASB document	Date of entry into force of the Expected date of endorsement by the EU	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			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until the completion of the IASB project on the equity method	Postponed pending the completion of the IASB project on the equity method
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	October 2017	1 January 2019	2019
Annual Improvements to IFRS Standards (2015-2017 Cycle)	December 2017	1 January 2019	2019
Plan Amendment, Curtailment (Amendments to IAS 19)	February 2018	1 January 2019	2019
Amendments to References to the Conceptual Framework in IFRS Standards	March 2018	1 January 2020	2019
Definition of business (Amendments to IFRS 3)	October 2018	1 January 2020	2019
Definition of material (Amendments to IAS 1 and IAS 8)	October 2018	1 January 2020	2019

(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.

ANNUAL IMPROVEMENTS TO IFRS 2015-2017 CYCLE

The IASB published several amendments to and interpretations of the existing standards, which generated no considerable 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. The IFRIC 23 interpretation "Uncertainty over Income Tax Treatments" shall be applicable to reporting periods starting on or after 1 January 2019. This interpretation shall be mandatorily applied to reporting periods starting on or after 1 January 2019 and it is expected to generate no material impacts for the Group.

BANK OF ITALY - CIRCULAR NO. 262 "BANKS' FINANCIAL STATEMENTS: LAYOUT AND PREPARATION" - 6TH UPDATE

On 30 October 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 shall replace 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.

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 down in the Bank of Italy Circular no. 262 of 22 December 2005 “Banks’ financial statements: layout and preparation” (5th update published on 22 December 2017).

The Annual Report and Financial Statements as at 31 December 2018 have been prepared on a going-concern basis, since the Group is believed to continue in operation in the foreseeable future.

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

The Note to the Financial Statements also reports the verifications that were carried out in order to assess any impairment of 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 recognised in the Balance Sheet and in the Income Statement, as well as on the information on contingent assets and liabilities reported.

The estimation process requires 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 recognised values for this reporting period may vary, even to a significant extent, in future periods, subsequent to any changes in the subjective assessments used.

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

- quantifying losses resulting from the impairment of loans and of other financial assets in general;
- 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 2015 “BANKS’ FINANCIAL STATEMENTS: LAYOUT AND PREPARATION” - 5TH UPDATE

On 22 December 2017, the Bank of Italy issued the 5th update of Circular no. 262 of 22 December 2005 “Banks’ financial statements: layout and preparation” in order to implement IFRS 9 “Financial Instruments” (which was endorsed with Regulation (EU) 2016/2067 of 22 November 2016) and the subsequent amendments to other international accounting standards, including IFRS 7 “Financial Instruments: Disclosures”.

The update also covers the new IFRS 15 “Revenue from Contracts with customers” (which was endorsed with Regulation (EU) 2016/1905 of 22 September 2016). The update, which is a full revision of the Circular, shall apply to the financial statements with reporting dates on or after 31 December 2018.

The main developments in the regulation on financial statements concern:

1. classification and measurement of financial assets: the financial statement layouts and the table in the note to the financial statements are compliant with the new reporting approach by accounting portfolios of financial instruments required by IFRS 9 (financial assets measured at fair value through profit or loss,

financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost);

2. impairment model based on the recognition of expected losses: the note to the financial statements has been amended to comply with the reporting requirements (qualitative and quantitative) concerning the methods to manage credit risk and the recognition and measurement of expected losses pursuant to IFRS 7;
3. hedging policies: the new reporting requirements pursuant to IFRS 7 having regard to IFRS 9 have been implemented. However, IFRS 9, at paragraph 7.2.21, gives the option to reporting entities to continue to apply IAS 39 "Financial Instruments: Recognition and Measurement" to hedging policies. The bank intermediaries exercising that option shall report the required information in the ways they deem the most appropriate.

On the one hand, the amendments have continued to take into account the need to ensure that financial reporting is as consistent as possible with the EU harmonized supervisory reporting of consolidated financial information (FINREP); on the other hand, they have continued to consider the need to confirm some information, currently included in the financial statements, which is relevant for correct assessment of intermediaries' operations.

Furthermore, the note to the financial statements complies with the reporting requirements pursuant to Principle 8 "Disclosure" of EBA "Guidelines on credit institutions' credit risk management practices and accounting for expected credit losses".

As regards comparative information (T-1), the Bank of Italy has specified that, in case the reporting entity exercises the option not to restate the comparative figures pursuant to paragraphs E1 and E2 of IFRS 1 "First-time Adoption of International Financial Reporting Standards", its first financial statements prepared in accordance with this update shall include a statement of reconciliation setting forth the approach used and reconciling the figures as per the latest approved financial statements and the first financial statements prepared in accordance with the new requirements. The relevant corporate bodies are free to decide the form and contents of such disclosure.

Within its First Time Adoption of IFRS 9, the Crédit Agricole Italia Banking Group exercised the option, as provided for by the transitional provisions of the aforementioned standards, not to restate comparative figures; therefore, the impacts resulting from the first-time adoption have been reported with an adjustment of the consolidated equity opening balances as at 1 January 2018 and are reported in a specific section. The balance sheet and income statement balances for the previous financial year, as prepared pursuant to IAS 39, are not fully comparable to the new accounting categories and to the related measurement bases pursuant to the new standard. As regards the closing balances of the previous year, in order to ensure the best possible comparability of the relevant items, the Crédit Agricole Italia Banking Group opted for:

- reporting the figures of balance sheet and income statement items not impacted by IFRS9 under the same financial statement item;
- separately reporting the financial statement items covering the financial and P/L balances of financial instruments within the scope of application of IFRS 9; therefore, the closing balances of such items as at 31 December 2018 are not stated but are reported under the new financial statement items provided for by Circular no. 262.

This is why the tables in the fair value reporting section and in the explanatory notes, show, along with the data as at 31 December 2018, the comparative balance only for the items that, in the financial statements, have a balance both for the reporting and for the previous one. Otherwise, the tables are given in double (tables as at 31 December 2018 and, separately, tables as at 31 December 2017) as these data are not fully comparable.

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 (5th update published on 22 December 2017).

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 recognised in the year as balancing items of the valuation reserves, net of the related tax effect.

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 been stated also.

Negative amounts are set forth in parenthesis.

STATEMENT OF CHANGES IN EQUITY

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

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

CONTENTS OF THE NOTE TO THE FINANCIAL STATEMENTS

The Note to the Financial Statements contains the information required by 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.

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

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

Section 3 - Scope and methods 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.

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 derecognised with the remaining value of the equity of the subsidiary as the balancing item.

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

Business combinations are recognised 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 recognised at their respective fair values as at the acquisition date. Moreover, for each business combination, any minority interests in the acquired company may be recognised 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 year is recognised under a specific item in the consolidated income statement.

The other main 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 2018.

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

Company name	HP	Type of investee[1]	Equity investment		available
			Investor	%held	% of votes
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.	80.95%	81.33% (2)
2. Crédit Agricole Carispezia S.p.A.	La Spezia, Italy	1	Crédit Agricole Italia S.p.A.	80.00%	80.00%
3. Crédit Agricole Leasing Italia S.r.l.	Milan, Italy	1	Crédit Agricole Italia S.p.A.	85.00%	85.00%
4. Sliders S.r.l.	Milan, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
5. Mondo Mutui Cariparma S.r.l.	Milan, Italy	4	Crédit Agricole Italia S.p.A.	19.00%	19.00%
6. Crédit Agricole Italia OBG S.r.l.	Milan, Italy	1	Crédit Agricole Italia S.p.A.	60.00%	60.00%
7. Credit Agricole Group Solutions S.c.p.a.	Parma, Italy	1	Crédit Agricole Italia S.p.A.	86.60%	86.60%
			Crédit Agricole FriulAdria S.p.A.	8.75%	8.75%
			Crédit Agricole Carispezia S.p.A.	2.50%	2.50%
			Crédit Agricole Leasing Italia S.r.l.	1.19%	1.19%
8. Italstock S.r.l. (*)	Milan, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
9. Crédit Agricole Real Estate Italia S.r.l.	Parma, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
10. Unibanca Immobiliare S.r.l.	Cesena, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
11. Carice Immobiliare S.p.A.	Cesena, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
12. Agricola Le Cicogne S.r.l.	Faenza, Italy	1	Crédit Agricole Italia S.p.A.	50.01%	50.01%
13. San Piero Immobiliare Srl	Cesena, Italy	1	Unibanca Immobiliare S.r.l.	100.00%	100.00%
14. San Giorgio Immobiliare S.r.l.	Cesena, Italy	1	Unibanca Immobiliare S.r.l.	100.00%	100.00%
15. San Genesio Immobiliare S.p.A.	San Miniato, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%

(*) in liquidation as of 22 January 2019

Joints ventures and investees subject to significant influence

Company name	HP	Type of investee[1]	Equity investment		available
			Investor	%held	% of votes
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%
3. Cassa di Risparmio di Volterra S.p.A.	Volterra, Italy	4	Crédit Agricole Italia S.p.A.	20.00%	20.00%

[1] Type of control:
1= Majority of the voting rights in the General Meeting of Shareholders
2= dominant influence in the Extraordinary General Meeting of Shareholders 3= agreement with other shareholders
4 = Investees 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
[2] The percentage has been calculated taking account of the treasury shares held by the Bank as at the reporting date

2. Significant considerations and assumptions to determine the area 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:
    - o control over more than half of the voting rights through a contractual arrangement with other investors holding voting rights;
    - o the power to determine the investee's operating and financing policies pursuant to the entity's articles of association or to a contract arrangement;
    - o the power to appoint or remove the majority of the members of the board of directors or of the equivalent corporate governance body;
    - o 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.

3. Investments in subsidiaries with minority interests

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

Company name	% minority interests	Dividends distributed to minority interests	Dividends distributed to
1. Crédit Agricole FriulAdria S.p.A.	19.05%	18.67%	8,246
2. Crédit Agricole Carispezia S.p.A.	20.00%	20.00%	5,024
3. Crédit Agricole Leasing Italia S.r.l.	15.00%	15.00%	-

3.2 INVESTMENTS IN COMAPNIES WITH SIGNIFICANT MINORITY INTERESTS: FINANCIAL HIGHLIGHTS

Name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Shareholders' equity	Net interest income	Net banking income
1. Crédit Agricole FriulAdria S.p.A.	10,684,146	42,424	10,137,192	175,398	9,622,915	635,445	177,407	338,096
2. Crédit Agricole Carispezia S.p.A.	4,495,022	29,485	4,277,134	48,228	4,128,886	200,367	76,863	157,117
3. Crédit Agricole Leasing Italia S.r.l.	1,981,418	1	1,907,322	24,545	1,817,710	99,137	28,471	29,394

Name	Operating costs	Profit (Loss) before taxes rom continuing operations	Profit (Loss) after taxes from continuing operations	Profit (Loss) from discontinuing operations, net of taxes	Profit (Loss) for the period (1)	Other income components, net of taxes (2)	Comprehensive income (3) = (1) + (2)
1. Crédit Agricole FriulAdria S.p.A.	-206,140	91,283	61,416	0	61,416	-22,327	39,089
2. Crédit Agricole Carispezia S.p.A.	-93,592	51,624	35,026	0	35,026	-10,373	24,653
3. Crédit Agricole Leasing Italia S.r.l.	-6,670	9,617	6,707	0	6,707	2	6,709

5. Other information

In the Consolidated Financial Statements as at 31 December 2018, the company LE VILLAGE BY CA MILANO S.r.l. was consolidated with the equity method; this company was incorporated in July 2018 and its activities aim at supporting the development of startups, both in their beginning and subsequent growth, through a network of various types of partners and investors.

In 2018 the mergers by absorption, into the Parent Company Crédit Agricole Italia, of Cassa di Risparmio di San Miniato (on 24 June), of Cassa di Risparmio di Cesena (on 22 July) and Cassa di Risparmio di Rimini (on 9 September) were finalized, ended with the IT systems migration.

Share Capital increase

In the first half of the reporting year, in order to handle the impacts resulting, on the one hand, from the end of the Basel 3 phase-in arrangements and, on the other hand, from the initial application of the new IFRS9, the Group strengthened its capital, specifically its Common Equity Tier 1, with a share capital increase of euro 147 million (of which: euro 26,678,766 to share capital and euro 120,321,234 to share premium reserve) made by the Parent Company Crédit Agricole Italia.

Subsequent to the merger by absorption of Cassa di Risparmio di San Miniato S.p.A. into Crédit Agricole Italia S.p.A., finalized on 24 June 2018, another 556,030 shares in Crédit Agricole Italia were issued, having a nominal value of euro 1 (with no share premium), for the exchange to the minority shareholders of the absorbed bank.

Subsequent to the merger by absorption of Cassa di Risparmio di Cesena S.p.A. into Crédit Agricole Italia S.p.A., finalized on 22 July 2018, another 430,711 shares in Crédit Agricole Italia were issued, having a nominal value of euro 1 (with no share premium), for the exchange to the minority shareholders of the absorbed bank.

Subsequent to the merger by absorption of Cassa di Risparmio di Rimini S.p.A. into Crédit Agricole Italia S.p.A., finalized on 9 September 2018, another 168,693 shares in Crédit Agricole Italia were issued, having a nominal value of euro 1 (with no share premium), for the exchange to the minority shareholders of the absorbed bank.

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 108 shares in Crédit Agricole Italia S.p.A. were issued having a nominal value of euro 1.

Section 4 – Events after the reporting period

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 20,625 shares in Crédit Agricole Italia S.p.A. were issued on 9 April 2019 having a nominal value of euro 1.

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.

In 2019, the rationalization of the Group's physical structures is going to continue with the closure of 102 branches.

On 16 November 2018, the Boards of Directors of Crédit Agricole Italia S.p.A. 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 16,539,731.00 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.

Subsequent to the aforementioned resolution, the authorized share capital of Crédit Agricole Italia S.p.A. amounts to euro 979,211,943.00 and is subdivided into 979,211,943 ordinary shares having a nominal value of euro 1 each.

The merger is expected to become legally effective by the end of July 2019.

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 a EU Member State, may exercise the option for consolidated taxation.

18 Companies of the Group opted to join the tax consolidation scheme and, having been designated by Crédit Agricole S.A., Crédit Agricole Italia S.p.A. has undertaken the role of Consolidating Entity. The option for the Tax Consolidation scheme was renewed also for the 2018-2020 three-year period and 5 new companies joined the scheme.

This regime provides for the consolidated companies to transfer their taxable income (or their tax loss) to the Consolidating Entity Crédit Agricole Italia S.p.A., 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 recognises 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 recognise due and payables/receivables from the consolidating entity.

In its separate Financial Statements, the Consolidating Entity recognises 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 recognised in the items:

- "Financial assets measured at amortized cost - loans to 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 recognised 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 consists of the companies based in Italy having at the same time financial, economic and organisational links in force between them, as provided for by Italian Ministerial Decree of 6 April 2018 and by Circular no. 19/2018.

The VAT Group consists of 15 CA entities and Crédit Agricole Italia S.p.A. is the VAT Group Representative Member.

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, general, the transactions between the Group member entities are not subject to VAT.

INDEPENDENT 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 24 April 2012, whereby this Firm was assigned the audit task for the period 2012-2020.

PUBLICATION OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Annual Report and Consolidated Financial Statements as at 31 December 2018 of the Crédit Agricole Italia Banking Group were approved by the Board of Directors at its meeting held on 26 March 2019 and the Board authorized their publication, also pursuant to IAS 10.

A.2 THE MAIN ITEMS OF THE ACCOUNTS/MAIN ITEMS OF THE FINANCIAL STATEMENTS

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 recognised in the financial statements in accordance with IFRS 9, as endorsed by the European Union.

IFRS 9 regulates 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

On 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

On 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, if necessary, 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, in 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 measured at fair value through profit or loss;
- financial assets measured at amortized at cost;
- financial assets measured at fair value through 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 '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 defines how a cluster of financial assets is collectively managed in order to fullfill a corporate objective set corporate, 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 are 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 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 applies 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 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 significant 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% (this difference must not take fair value hedge into account).

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:

a. significant in credit risk;
b. loans close to maturity and with a sale price that approximates the remaining contractual cash flows;
c. the sales are frequent but not significant;
d. infrequent sales that are potentially significant.

Specifically:

a) Sales allowed due to significant 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 sale price and the amortized cost of the loan shall not be higher than 3%. This difference should not take fair value hedge effects into account.

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.

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 o 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 object 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.

SPPI testing upon FTA

At the first-time adoption of the new standard, the procedures were structured for the testing of the characteristics of contractual cash flows (SPPI Test) and the business models were formalized. As regards SPPI testing of financial assets, the securities and loans as at 31 December 2017 were analyzed, in order to determine their proper classification at the First Time Adoption (FTA) of the new standard. Specifically, as regards debt securities, the characteristics of the cash flows of the instruments recognised at amortized cost and as financial assets available for sale in accordance with IAS 39 were thoroughly analyzed. No securities were to be reclassified for having failed the SPPI test. At the first-time adoption of IFRS 9, the units of OICR collective investment undertakings (open-end funds and closed-end funds) held by the Group were categorized as held in accordance with the "Other" Business Model and, therefore, they were classified as financial assets held for trading measured at fair value through profit or loss; for the sake of completeness, it is pointed out that, based on the thorough analyses carried out and on the clarifications given by the IFRS Interpretation Committee, the OICR units for which the set Business Model is "Hold to Collect and Sell" shall be classified as assets mandatorily measured at fair value through profit or loss, as the SPPI test is considered failed. For the loan portfolio, the Bank has determined modular analyses to be carried out considering the essential standardization of the lending contracts; for tailor-made products, the test was performed on an adequately selected sample based on significance. Also for loans, no significant impacts were found within the transition to the new standard as regards classification.

As of 1 January 2018, the SPPI testing shall be concomitant with the structuring of every new standard product and of every new "tailor made" product.

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 other comprehensive income 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 measured 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 recognised at the settlement date and their initial measurement includes accrued interest and transaction costs.

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 measured at fair value through other comprehensive income with recycling</u>

Debt instruments shall be measured at fair value through other comprehensive income with recycling if they are eligible for the HTC&S model and if they pass the 'SPPI' test.

They are recognised 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 recognised 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 recognised 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, such changes are recycled to profit and loss.

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).

<u>Debt instruments at fair value through profit or loss</u>

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 fair value through profit or loss as they do not comply with the 'SPPI' test requirements. For instance, this is the case of OICR collective investment undertakings;
- 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 recognised at fair value, excluding transaction costs (directly recognised 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 value of the financial assets on the balance sheet.

This category of financial assets is not subject to impairment.

Debt instruments measured at fair value through profit or loss are recognised at the settlement date.

Equity instruments

Equity instruments are recognised at fair value through profit or loss, unless an irrevocable option for their measurement measured at fair value through other comprehensive income (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 recognised at fair value, excluding transaction costs (directly recognised in the income statement). They are recognised 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 measured at fair value through other comprehensive income without recycling (irrevocable option)

The irrevocable option to recognise equity instruments measured at fair value through other comprehensive income without recycling may be exercised for each single transaction and shall apply as of the date of initial recognition. These securities are recognised at their settlement date. The initial fair value includes transaction costs.

At subsequent measurements, fair value changes are recognised 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 recognised in equity.

Only collected dividends are recognised in the Income Statement

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 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 recognised.

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 recognised 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 recognised through other comprehensive income shall be derecognised 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 recognised 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 or loss, the financial asset continues to be measured at fair value. Accumulated profit (loss) previously recognised through other comprehensive income shall be reclassified from "through other comprehensive income" to "through profit or loss" 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 delivered 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 recognises 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 recognised 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 derecognised if:

- the contractual rights to the cash flows from the financial asset expire;
- the contractual rights to the cash flows from the financial asset are transferred or are deemed as such because they belong de facto to one or more beneficiaries; and 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 derecognised 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 recognised 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.

Financial liabilities at fair value through profit or loss by their nature

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 recognised through profit or loss.

Financial liabilities at fair value through profit or loss on option

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 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. Only requalification (debt instrument versus equity instrument) may take place.

Distinction between debt - equity instruments

Securities are classified 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 recognised as deduction from 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 recognised 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 recognised 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 recognised:

- through profit or loss for derivative instruments held for trading or for fair value hedging;
- through 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 recognises a net amount when and only when it has a legally enforceable right to offset the recognised 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 deriving from hedging transactions.

Net gains (losses) on financial instruments measured at air value through other comprehensive income

For financial assets measured at fair value through other comprehensive income, this item notably reports the following income statement elements:

- dividends from equity instruments classified as financial assets measured at fair value through other comprehensive income without recycling;
- gains (losses) on disposals and net income associated with the termination of hedging relationships on debt instruments classified as financial assets measured at fair value through other comprehensive income with recycling;
- net income on disposals or associated with the termination of fair value hedging instruments of financial assets measured at fair value through other comprehensive income when the hedged item is sold.

COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED

Commitments to disburse funds 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 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 highest between:

- the value adjustment amount for losses determined in accordance with the "Impairment" section of IFRS 9;
- the amount originally recognised less, where applicable, the costs recognised in accordance with IFRS 15 "Revenue from Contracts with customers".

CREDIT RISK IMPAIRMENT

Scope of application

In compliance with the IFRS 9, the Crédit Agricole Italia Banking Group recognises impairment with write-downs representing Expected Credit Losses (ECL) on the categories of financial assets given below:

- financial assets consisting of debt instruments measured at amortised cost or measured at fair value trough other comprehensive income with recycling (loans and receivables, debt securities);
- commitments to disburse fund 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;
- lease receivables falling under the IAS 17 scope of application;
- 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 through other comprehensive income 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 impairment model for credit risk has three stages:

- stage 1: since the initial recognition of the financial instrument (credit, debt, guarantee...), the bank recognises the expected credit losses over 12 months;
- stage 2: if the credit quality has deteriorated significantly (compared to initial recognition) for a given transaction (or portfolio), the Bank shall recognise expected losses to maturity;
- stage 3: where a default event has occurred on the counterparty that has a negative effect on the estimated future cash flows, the Bank shall recognise an analytical credit loss to maturity. Thereafter, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2 or stage 1, in the light of a further improvement in the quality of credit risk.

<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 imple-

ments 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).

The definition of "default" is applied uniformly to all financial instruments, unless information becomes available indicating that another definition of "default" is more suitable for a specific financial instrument

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 supervising the process for ECL-related impairment of exposures and provisioning.

The calculation of impairment of performing assets is represented within the overall cost of credit process, which is coordinated by the Unlikely to Pay (UTP) Management Division.

To define the IFRS 9 parameters required to calculate ECL, the Crédit Agricole Italia Banking Group has primarily relied on its internal rating system and on the other regulatory processes already implemented. The assessment of credit risk is based on an expected loss model and extrapolation based on reasonable future scenarios. All information that is available, pertinent, reasonable and justifiable, including forward-looking information, shall be taken into account.

Therefore, in compliance with the requirements set 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 Budgétaire exercise;;
- *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.

The Crédit Agricole Group has decided to update the estimate of the parameters every six months.

The ECL calculation formula includes 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 interest rate (EIR) used for the initial recognition of the financial instrument.

The models and parameters used are backtested at least annually.

Significant deterioration in 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 significant decline 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 look back at 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 incorporated into the rating systems allows for a more detailed assessment than the non-payment for over 30 days criterion alone as a *back-stop* threshold.

Other factors for downgrading to stage 2 are:

- a PD absolute threshold is breached. This threshold is set at 12% for the corporate portfolio and at 20% for the retail portfolio;
- no rating as at the assessment date if regarding loans disbursed over six months before;
- the exposure being classified as forborne performing.

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

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

Therefore, the following rules shall apply for monitoring significant deterioration of securities:

- "Investment Grade" (IG) securities, at the reporting date, shall be classified in stage 1 and provisioned for based on 12-month ECL;
- "Non-Investment Grade" (NIG) securities, at the reporting date, shall be subject to monitoring for significant deterioration, since origination, and be classified in Bucket 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 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.

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, in the ECB "NPL Guidance" published in March 2017, Banks that have a weight of non-performing loans higher than the average of EU banks are expected to design a strategy aimed at progressively reducing NPLs.

These changes in the strategies for the recovery of NPLs were taken into account upon the first-time adoption of the IFRS 9, which has introduced significant changes vs. IAS 39. Specifically, IAS 39 read (see paragraph 59). "A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event')... omissis... Losses expected as a result of future events, no matter how likely, are not recognised".

The approach provided for by the new standard is materially different; indeed, 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, the 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, whereas for IAS 39 the source of cash flows is limited to the cash flows from the debtor or from the guarantee pursuant to the relevant contract, in accordance with IFRS 9 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 the 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; conversely, in accordance with IAS 39, realization through the sale of a loan could be considered (as a single scenario) only where reasonably certain, as at the reporting date, because it could be considered the expression of a management direction already formalized at that date.

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.

Determining impairment losses requires the measurement of future cash flows that the borrower is believed able to generate and that shall be used for financial debt service.

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 related collaterals are 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 recognised 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 derecognise the financial instrument affected by the modification and shall recognise 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 recognised 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 recognised in 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 considered 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 accordingly be assess 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.

When 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 recognised as a loss under cost of credit.

Upon impairment, the portion regarding the passage of time shall be recognised under net interest income.

Purchased or Originated Credit Impaired Assets ("POCI")

Pursuant to the 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, the IFRS 9 requires:

- the 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 recognised interests be determined applying the "credit-adjusted effective interest rate" ("EIR Credit Adjusted") 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 the IFRS 9, exercising the option given by the 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 the IAS 39 takes into account the bases of classification and measurement of financial instruments pursuant to the 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 measured at fair value through 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 recognise asset or liability or of an irrevocable commitment not recognised, 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 recognised 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 hedge documentation, as permitted by the 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 remeasurement of the derivative at fair value is recognised as follows:

- fair value hedges: the derivative remeasurement is recognised 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 recognised 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 recognised 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 recognised in accordance with its classification. For debt instruments measured at fair value through other comprehensive income with recycling, fair value changes after the termination of hedging relationship shall be fully recognised 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 element affects profit or loss. Interest-rate hedged items shall be recognised through profit or loss as interests are paid. The remaining portion of the remeasurement difference is then amortized over the reaming 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 recognised through profit or loss.

REVENUES FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

Fee and commission revenues 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 effective yield on a financial instrument are recognised as an adjustment to the yield 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 recognised through profit or loss when the service is provided.

Fees and commissions to be paid or collected, or not yet earned, shall be progressively recognised 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.

MAIN FINANCIAL STATEMENT ITEMS

1. Financial assets measured at fair value through profit or loss

CLASSIFICATION

This category contains 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.

The 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 recognised.

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 recognised at the settlement date, while derivative contracts are recognised on the date they are signed. Loans are recognised on their disbursement date.

Specifically, upon recognition at the settlement date, the reporting entity recognises 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 recognised.

On initial recognition, "Financial assets measured at fair value through profit or loss" are recognised 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 CRITERIA AND REVENUE RECOGNITION CRITERIA

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 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 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 recognised 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 derecognised 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 recognised, even if the relevant legal title has been transferred. Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognised 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 recognised 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 (FVTOCI)

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;
- 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.

The 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 recognised.

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 recognised at the settlement date for debt and equity securities and, as regards loans, at their disbursement date. At initial recognition, these assets are recognised 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 CRITERIA AND REVENUE RECOGNITION CRITERIA

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 recognised 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 recognised 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 recognised 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 recognised 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 derecognised 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 recognised, even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognised 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 recognised to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, financial assets which have been sold are derecognised 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;
- 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 Loans and receivable from finance leases that, in compliance with IAS 17, are recognised with the "cash flow method".

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).

The 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 recognised.

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 recognised at the settlement date for debt and equity securities and, as regards loans, at their disbursement date. This asset item reports separately:

- loans to banks;
- loans to customers.

Financial assets classified in this category are initially recognised 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 recognised and derecognised on the loan disbursement date.

Loans and receivables are initially recognized at their fair value that 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 recognised 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 recognised as funding or lending transactions. Specifically, repurchase agreements are recognised as due and payables for the spot amount received, whereas reverse repurchase agreements are recognised 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 recognised 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 recognised 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 the 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 12 months;
- stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognise 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 recognise 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, then in stage 1 according to the subsequent improvement in the quality of credit risk.

Impairment losses are recognised 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 recognised 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 recognised in the Income Statement under item “10. Interest and similar income” are 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.

The income statement reports interest income calculated with the effective interest method in accordance with Bank of Italy Circular 262.

DERECOGNITION

Financial assets are derecognised 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 derecognised 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 recognised, even if the relevant legal title has been transferred. 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 derecognised and a new financial asset shall be recognised 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.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognised 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 recognised 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.

- 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 derecognise the financial instrument affected by the modification and shall recognise 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 transactions

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 the IFRS 9, exercising the option given by the 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 the IAS 39 takes into account the bases of classification and measurement of financial instruments pursuant to the 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, should the risk event take place.

The following types of hedges are used:

- fair value hedges: these are used to hedge exposures to changes in the fair value (attributable to the different types of risk) of assets and liabilities or portions thereof, groups of assets and liabilities, irrevocable commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39, 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. In some cases, similar hedges are used for some 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 recognised at subscription date and later measured at fair value.

MEASUREMENT CRITERIA AND REVENUE RECOGNITION CRITERIA

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 recognised 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 through profit or loss;
- 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 recognises in equity (item "120. Valuation reserves"), for the effective portion of the hedge, and are recognised 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 recognised 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 actual effectiveness is gauged by comparing the above-mentioned changes, taking into account the intention of the company at the inception of the hedge.

Hedging is deemed effective when changes in the fair value (or the cash flows) of the hedging instrument almost entirely – i.e. within an interval of between 80% and 125% - offset changes in the value of the hedged item for the hedged risk factor.

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

- prospective tests, which justify the application of hedge accounting, since they demonstrate the expected effectiveness of the hedge;
- retrospective tests, which show the degree of effectiveness of the hedge achieved during the reference period. In other words, they measure how actual results deviate from the perfect hedge.

Any hedge ineffectiveness caused by economic circumstances that are expected to return to normal as confirmed by prospective tests is not taken into account.

Interuption of the hedging relationship

It 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 accumulated recoveries/losses recognised subsequent to the fair value change of the hedges risk are recognised 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 recognised 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 recognised 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 recognised 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 accumulated recoveries/losses are recognised 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 recognised 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 recognised at the settlement date. At initial recognition, these financial assets are recognised at cost, including any goodwill paid upon acquisition which, therefore, is not separately recognised.

MEASUREMENT CRITERIA AND REVENUE RECOGNITION CRITERIA

The book value of the financial asset is then increased or decreased in order to recognise 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 recognised 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 equity investment could generate, including its value upon divestment.

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

If the reasons for the impairment should be removed subsequent to the recognition of the impairment loss, a writeback is taken to the income statement.

DERECOGNITION

Equity investments are derecognised 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 the 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 assets used within finance lease contracts, even though the lessor remains the owner of the asset.

RECOGNITION

"Property, plant and equipment" items are initially recognised 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 recognised as an increase in the value of the assets, while ordinary maintenance costs are recognised in the Income Statement.

MEASUREMENT CRITERIA AND REVENUE RECOGNITION CRITERIA

Property, plant and equipment items, including investment property, are measured at cost less depreciation and impairment.

These assets are systematically depreciated over their useful life on a straight-line basis, as reported in the table below:

Description	Duration
Land	No depreciation
Operating property	33 years (1)
Other investment property	
- Other	33 years (1)
- High-end property and 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 duratione

Buildings are depreciated at a rate based on a useful life deemed fit to appropriately represent the deterioration of the assets over time due to use, taking into account any extraordinary maintenance costs, which increase the value of the asset, and ordinary maintenance costs, which maintain the value of the assets for longer periods of time. However, the assets' remaining useful life is verified on a regular basis.

The cost of depreciation of property, plant and equipment is recognised in the Income Statement under "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 an indefinite useful life. Where its value is incorporated in the value of the building, under the components approach, the land is considered separable from the building. The division between the value of the land and the value of the building is based on appraisals by independent experts, for buildings entirely owned by, and, therefore, fully available to the Company, including the land;
- high-end property;
- property, plant and equipment inventories governed by IAS 2;
- 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 recognised in the Income statement under item "210 Net adjustments of/recoveries on property, plant and equipment".

If the reasons for impairment cease to exist, a writeback is recognised. 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

Un'immobilizzazione materiale è eliminata dallo stato patrimoniale al momento della dismissione o quando il bene è permanentemente ritirato dall'uso e dalla sua dismissione non sono attesi benefici economici futuri.

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 recognised as the difference between purchase cost and the fair value of the assets and liabilities acquired and contingent assets and liabilities recognised upon acquisition in accordance with the IFRS 3 determination criteria;
- the intangibles representing business with customers are recognised subsequent to the application of IFRS 3.

RECOGNITION AND MEASUREMENT

Separately acquired and internally generated intangible assets are initially recognised 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 recognised in the Income Statement for the period in which it is borne. Intangible assets acquired through business combinations are recognised at fair value as at the acquisition date.

MEASUREMENT CRITERIA AND REVENUE RECOGNITION CRITERIA

After initial recognition, intangible assets are recognised net of the accumulated amortization and of any accumulated impairment losses. Intangible assets' useful life is assessed as finite or indefinite.

Intangible assets with finite useful life are amortized over their useful life and are tested for impairment every time signals 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 occur, are recognised through the change in the amortization period or approach, as the case may be, and are considered as accounting estimate changes. The amortization cost for intangible assets with finite useful life is recognised in the Income Statement in the 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 a cash-generating unit level.

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

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

DERECOGNITION

Intangible assets are derecognised 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 recognised in the income statement for the year in which the derecognition is made.

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 recognised 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 recognised as a separate item in the Income Statement.

9. Current and Deferred Taxe

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 recognised 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 recognised in the Income Statement, except for those related to items debited or credited directly in equity, for which the related taxes are recognised, for consistency purposes, in equity.

The effects of current taxes and deferred tax assets and liabilities are recognised 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 timing differences – without time restrictions – between the value attributed to an asset or a liability pursuant to the Italian Civil Code and the corresponding values used for tax purposes.

In March 2016, the national tax consolidation scheme was adopted, with effects since the 2015 tax period, by the Crédit Agricole S.A. Group in Italy; such scheme was introduced with Article 6 of Italian Legislative Decree No. 147 of 14 September 2015, according to which also the Italian "sister" companies, whose controlling Company is resident in a EU Member State, may exercise the option for consolidated taxation.

This regime provides for the consolidated companies to transfer their taxable income (or their tax loss) to the Consolidating Entity Crédit Agricole Italia S.p.A., 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 recognises 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 - loans to 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 recognise 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 recognised to the extent their recovery is deemed likely.

Deferred tax liabilities are recognised 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 recognised in the Balance Sheet with open balances without any offsetting, the former under the "Tax Assets" item and 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 recognised 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.

It is pointed out that, as regards the tax losses/ACE surplus acquired within the merger of the Fellini Banks, in 2018 a specific tax ruling was applied for pursuant to Article 172 of the Italian Consolidated Act on Income Taxes (TUIR) and had a favourable outcome.

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 recognised 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 liability in respect of these plans and relative current service cost are determined on an actuarial basis 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 a market interest rate, as set forth in the relevant tables in the Note to the Financial Statements.

Contributions paid in each period are treated as separate items, recognised 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 recognised directly in equity, under the item “Valuation reserves”.

PROVISIONS FOR RISKS AND CHARGES REGARDING COMMITMENTS AND GUARANTEES ISSUED

This sub-item of the “provisions for risks and charges” item reports credit risk allowances recognised for commitment to disburse funds and for guarantees issued 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 a reliable estimate can be made of the amount.

Where the time factor is significant, provisions are discounted using current market rates. The amount allocated to provision is recognised 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 recognised 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 due and payables recognised by the entity as the lessee in finance leases.

RECOGNITION

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

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

Internal administrative expenses are excluded.

Repurchase agreements or reverse repurchase agreements are recognised as funding or lending transactions. Specifically, repurchase agreements are recognised as due and payables for the spot amount received, whereas reverse repurchase agreements are recognised as loans and receivables for the spot amount paid.

MEASUREMENT CRITERIA AND REVENUE RECOGNITION CRITERIA

Following initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method. The result of this method is recognised in the Income Statement under item "20 Interest and similar expenses".

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

DERECOGNITION

Financial liabilities are derecognised when they mature or are settled. Financial liabilities are also derecognised when previously issued securities are repurchased.

The difference between the liability book value and the amount paid to purchase such liability is recognised 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 recognised at the new placement price, with no effect through profit or loss.

12. Financial liabilities held for trading

RECOGNITION

These financial instruments are recognised, at the date of subscription or at the date of issue, at cost that 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 CRITERIA AND REVENUE RECOGNITION CRITERIA

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 recognised in the Income Statement under item "80. Net profit (loss) on trading activities".

DERECOGNITION

Financial liabilities held for trading are derecognised 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 measured at fair value

No one of the companies of the Crédit Agricole Italia Banking Group has exercised the fair value option to measure financial liabilities, in other words to measure financial liabilities at fair value (separately reporting through equity any fair values changes attributable to its own credit rating) as regards all financial liabilities as at 1 January 2018.

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 recognised at fair value, without taking into account any transaction income or costs.

MEASUREMENT CRITERIA AND REVENUE RECOGNITION CRITERIA

These liabilities are recognised at fair value with the related effects recognised in accordance with the following rules laid down by the IFRS 9:

- any fair value changes attributable to changes in the entity's credit rating shall be recognised 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 recognised 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 recognised 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 recognised 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, estimate and measurement models that are generally accepted and based on observable market inputs shall be used, such as: methods based on the measurement of quoted instruments having similar characteristics, discounting of future cash flows, models to determine the price of options, values reported for recent comparable transactions.

DERECOGNITION

Financial liabilities are derecognised when they mature or are settled. Liabilities are also derecognised when previously issued securities are repurchased. The difference between the liability book value and the amount paid to purchase such liability is recognised 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 recognised in the cuurency of account by translating the foreign currency amount at the exchange rate in force on the date of the transaction.

MEASUREMENT CRITERIA AND REVENUE RECOGNITION CRITERIA

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 recognised in the Income Statement for the period in which they emerge.

When gains or losses relating to a non-monetary item are recognised in equity, the exchange rate difference for the item is also recognised in equity.

Conversely, when a profit or a loss is recognised in the Income Statement, the related exchange rate difference is also recognised in the Income Statement.

15. IAS 39 financial statement items

The accounting standards used to prepare financial statement items reporting financial instruments as at 31 December 2017 are given below (IAS39).

Financial assets held for trading

CLASSIFICATION

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

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

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

MEASUREMENT

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

IFRS 13 defines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

To measure the fair value of financial instruments that are listed on an active market, market prices are used. Where there is no active market, fair value is measured using generally accepted estimation methods and measurement models that take account of all the risk factors correlated to the instruments and that are based on information available on the market, such as: the measurement of the price of listed instruments with similar features, discounted cash flows, option pricing models, values reported for recent comparable transactions, etc.

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

Financial assets available for sale

CLASSIFICATION

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

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

MEASUREMENT

Following initial recognition, “Assets available for sale” are measured at fair value, with the recognition in the income statement of the interests calculated based on the effective rate of return, whereas the gains and losses resulting from changes in the fair value are recognised in a specific equity reserve until the asset is derecognised or an impairment is recognised. Upon disposal or recognition of an impairment loss, the accumulated gains or losses are taken to the Income statement.

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

Equity instruments included in this category, for which the fair value cannot be reliably determined, are recognised at cost. Poorly tradable Equity Instruments and UCITS Funds are measured including an illiquidity discount.

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

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

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

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

For debt securities and loans, this value recovery shall in no case determine a book value higher than the amortized cost that the financial instrument would have had if the loss had not been recognised.

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

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

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

Investments held to maturity

CLASSIFICATION

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

MEASUREMENT

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

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

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

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

The amount of the loss is recognised in the Income Statement. If the reasons for impairment are removed subsequent to an event occurring after the impairment loss recognition, the value of the asset is written back and taken to the Income Statement. The amount of the recovery shall in no case exceed the amortized cost that the financial instrument would have had if prior adjustments had not been made.

Loans and receivables

CLASSIFICATION

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

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

MEASUREMENT

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

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

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

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

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

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

The original value of the loan is written back in subsequent financial years to the extent that the reasons for the adjustment cease to apply, provided that this assessment is objectively connected with an event that occurred subsequent to the adjustment.

Writebacks are recognised in the Income Statement and the value of the loan after the writeback shall not in any event exceed the amortized cost that it would have had in the absence of the prior adjustments.

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

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

Collective impairment losses are taken to the Income Statement.

Financial assets measured at fair value

CLASSIFICATION

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

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

MEASUREMENT

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

Due and debt securities issued

CLASSIFICATION

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

MEASUREMENT

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

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

Financial liabilities held for trading

MEASUREMENT

All liabilities held for trading are measured at fair value through profit or loss.

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

Leases have been recognised in accordance with IAS 17.

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

Leases are considered finance leases if they transfer all risks and rewards of ownership; otherwise, leases are classified as operating leases.

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

For finance lease contracts entered into by the Crédit Agricole Italia Banking Group as the lessee, the leased assets are recognised as property, plant and equipment, even though the lessor remains the owner of such assets. Interest expenses are recognised in the Income Statement on the liability recognised as the lessee and accrued depreciation of the assets, whereas the portion of the lease payments representing principal repayment is recognised as a decrease in the due value.

CLASSIFICATION OF LEASES

For finance leases, the initial value recognised by the lessor includes the so-called "initial direct costs"; more in detail, the accounting standard:

- defines the initial direct costs as ""incremental costs that are directly attributable to negotiating and arranging a lease", specifying that "the interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of (a) the minimum lease payments and (b) the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any initial direct costs borne by the Lessor";
- specifies that "Lessors include in the initial lease amount the initial direct costs borne for negotiating the lease. This treatment does not apply to Lessors that are manufacturers or dealers";
- specifies that "the Principle does not allow initial direct costs to be recognised as expenses by the Lessors".

It is to be noted that the inclusion, in accordance with IAS 17, of initial direct costs in the finance lease recognition by the Lessor essentially entails that lease receivables are treated as financial receivables measured at amortized cost.

Initial direct costs to be attributed to net investment increase include only the additional costs which are directly attributable to negotiating and finalizing the finance lease transaction which are certain and immediately determinable upon the initial recognition of the lease receivable, such as commission and legal expenses.

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

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 recognised under the "Treasury shares" item in the separate financial statements, as at 31 December 2018 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 recognised 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 that capitalized on the related financial assets;
- receivables associated with the supply of non-financial goods and services;
- tax due and payables other than those recognised under item “110. Tax assets”.

It also reports leasehold improvement,expenses other than those recognised under item “90. Property, plant and equipment”, as they cannot be separated by 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 recognised 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 recognised 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, for the duration of the lease, the lessee company has control over and enjoys the future economic benefits of the assets. These costs, classified among “Other Assets” as required by the Bank of Italy in the aforementioned Circular No. 262/2005, are amortized over a period that does not exceed the residual duration of the lease.

The balancing item in the Income Statement of the above provisions is recognised 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, recognised and measured individually in calculating the final obligation.

The expenses for the plan are recognised 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 employees are recognised in the Income Statement, with a corresponding increase in Equity, based on the fair value of the financial instruments allocated at the awarding date, divided over the time 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 rate where the amortized cost method is applied;
- default interest, if any is contractually provided for, is recognised in the Income Statement only upon collection;
- dividends are recognised in the income statement when their distribution is authorized;
- fee and commission income for revenues from services is recognised, 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 recognised 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 recognised in the Income Statement when the transaction is recognised, 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 recognised at a value equal to the transaction price, less the business profit; the difference with the *fair value* is recognised 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.

CONTRIBUTIONS TO THE SINGLE RESOLUTION FUND

The Bank Recovery and Resolution Directive (BRRD – 2014/59/EU) lays down the resolution rules applying since 1 January 2015 to all the banks within the European Union.

Effective from 1 January 2015, the relevant measures shall be financed by the National Resolution Fund, which, on 1 January 2016, was merged into the Single Resolution Fund – SRF, managed by the Single Resolution Board – SRB.

The Single Resolution Fund shall reach a target level of financial resources by 31 December 2023 through the payment of a yearly ex-ante contribution, which, normally, pursuant to the Delegated Regulation of the European Commission No. 2015/81, may be paid also with irrevocable payment commitments – IPC. For 2018, credit institutions were allowed to use such commitments as to 15% of total contributions, as in the two previous years. To secure full payment of the total contributions, intermediaries are required to pledge eligible assets as collateral, which, for the three years in question, may consist only of cash.

In 2018, 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 2018 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.

All the Banks of the Group exercised the option to pay 15% of their total contributions signing 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 2018 amounts to euro 15.1 million.

Moreover, in May 2018, 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 recognised 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 a 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 the Crédit Agricole Italia Banking Group for 2018 amounted to euro 21.3 million.

These contributions are recognised in the Income Statement under “Other administrative expenses”.

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

On 30 November 2018, the General Meeting of the Voluntary Scheme, upon the proposal made by the Management Board, resolved to intervene, pursuant to new Title II of the Scheme’s by-laws, to support Banca Carige S.p.A.

The Voluntary Scheme intervenes by subscribing junior bonds for euro 318.2 million.

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

The total contribution paid by the Crédit Agricole Italia Banking Group in 2018 was euro 13.8 million. This contribution entailed the recognition of an asset under financial assets measured measured at fair value through other comprehensive income with no recycling.

RECOGNITION OF THE IMPACTS GENERATED BY THE CHANGES IN THE TAX LEGISLATION IMPLEMENTED BY THE ITALIAN 2019 BUDGET LAW

The IFRS 9 shall be applied retrospectively [IFRS 9 par. 7.2.1] and IAS 8 specifies that retrospective application means that the entity shall implement the new standard as if it had always been applied [IAS 8 par. 22]. Furthermore, the transitional arrangements of the IFRS 9 do not require restatement of comparative data [IFRS 9 par. 7.2.15 and 7.2.18-7.2.20] (the opening balances of assets and liabilities of the comparison year have not been adjusted and no corresponding adjustment has been made to the opening balance of each affected component of equity for that period).

Consequently, the tax effects of the IFRS 9 first-time adoption have had the same treatment, i.e. tax values have been recognised as if the new standard had always been applied, thus adjusting the open balances of the comparison year with a corresponding adjustment to the opening balance of each affected component of equity for that period, without prejudice to the aforementioned transitional arrangements allowed by the IFRS 9.

Therefore, it is pointed out that the tax legislation in force or essentially in force as at 31 December 2017 was used in order to determine tax consequences on the effects of retrospective application of the IFRS 9.

All the events recognised in 2018, including the reassessment of DTA recoverability, also subsequent to the changes in the tax legislation, accrued in 2018.

Following the publication of the Italian Budget Law, it has been assessed that the impact generated by the IFRS 9 first-time adoption is deductible for tax purposes over 10 years other than fully in the first year.

BUSINESS COMBINATIONS

Business combinations are recognised in accordance with IFRS 3 "Business Combinations".

This standard requires business combinations to be recognised 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 recognised 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.

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 that the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards be also taken into account.

The 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 recognised 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 recognised 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 recognised goodwill, the difference shall be recognised 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 recognised 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

The 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 with the application of indexation parameters.

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

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

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

An analogous approach is applied for the fair value measurement of medium-/long-term fixed-rate securities and structured securities that are hedged for interest rate risk, for which the book value determined for hedge accounting purposes already takes account of interest rate risk measurement. For the latter, in determining the fair value reported in the Note to the Financial Statements, changes in their credit spread were not taken into account, considering the same within the Group.

With regard to real estate, for which the fair value is calculated only for the purposes of disclosure in the Note to the Financial Statements, reference is made to a value primarily based on appraisals by independent experts, considering transactions at current prices in an active market for similar properties in the same geographical area and under the same conditions for leases and other contracts.

AMORTIZED CALCULATION METHOD

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 a financial asset or liability up to maturity or the subsequent repricing date to the present value of that financial asset or liability.

To calculate the present value, the effective interest rate is applied to future cash flows or payments over the life of the financial asset or liability or for a shorter period of time under certain conditions (for example, changes in market rates).

Subsequent to initial recognition, the amortized cost method makes it possible to allocate revenues and costs pertaining to the instruments over their expected lifetime, 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 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 recognised 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 recognised 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 instruments that are not certain at the time the instrument is initially prepared, such as: commissions for retrocession, failure to use a credit line, early repayment.

Moreover, not considered in the amortized cost calculation are the costs that the Group would bear independently of the transaction (for example, administrative costs, recording and communication expenses), nor those that, though specifically attributable to the transaction, fall within normal loan management practices (for example, activities associated with disbursement of the loan), as well as 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 recognised 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 recognised 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 the IFRS 9, the Crédit Agricole Italia Banking Group recognises impairment with write-downs representing Expected Credit Losses (ECL) on the categories of financial assets given below:

- financial assets recognised at amortised cost or measured at fair value through other comprehensive income with recycling (loans and receivables, debt securities);
- commitments to disburse fund 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;
- lease receivables falling under the IAS 17 scope of application;
- 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: since the initial recognition of the financial instrument (credit, debt, guarantee...), the bank recognises the expected credit losses over 12 months;
- stage 2: if the credit quality has deteriorated significantly (compared to initial recognition) for a given transaction (or portfolio), the Bank shall recognise expected losses to maturity;
- stage 3: where a default event has occurred on the counterparty that has a negative effect on the estimated future cash flows, the Bank shall recognise an analytical credit loss to maturity. Thereafter, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2 or stage 1, in the light of a further improvement in the quality of credit risk.

The 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. 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 set 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 ECL calculation formula includes 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 interest rate (EIR) used for the initial recognition of the financial instrument.

OTHER NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets with a finite useful life are tested for impairment if there is evidence that the book value of the asset can no longer be recovered.

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

If the book value of an asset is higher than its recoverable value, that asset is impaired and consequently written down to 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 recognised only when the fair value, net of sale costs, or the value in use of the asset is lower than its book value for three consecutive years.

For other Property, plant and equipment items and intangible assets (other than goodwill), the Group determines the value in use as the present value of the estimated future cash flows using a discount rate before-taxes reflecting market data (the present value of money and asset-specific risks

SEGMENT REPORTING METHOD

The Crédit Agricole Italia Banking Group is required to present segment reporting, in accordance with IFRS 8.

The sectors of economic activity covered by segment reporting are determined based on the Group's organizational and management structure.

The Group's business segments are:

- Retail/Private Banking (including the Financial Advisors channel and the Digital Business Unit);
- Corporate Banking (Large-corporate/Mid-corporate);
- Other/sundry.

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 INFORMATION ON FAIR VALUE

QUALITATIVE INFORMATION

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 in active markets.

Specifically, these financial instruments are stocks and bonds quoted in active markets, investment schemes quoted in active markets (EFT) and derivatives traded in regulated markets.

Markets are considered active if the quotations are easily and regularly available on the stock exchange, from brokers, intermediaries, price quotation services or regulatory agencies and these prices represent actual transactions that are regularly carried out in the market on an arm's length basis.

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

The fair value of some complex instruments that are not traded in active markets is determined with measurement techniques based on inputs that are not observable on the market.

The above are mainly complex interest rate instruments, stock derivatives and structured loans, where the measured correlation or volatility inputs are not directly comparable to market inputs.

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

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

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

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

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

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

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

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

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

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

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

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

- the first category includes the counterparties for which CDS input parameters are directly observable in the market;
- the second category includes counterparties for which there is no official quoted parameter, but to which a CDS proxy can be assigned, based on the observable market value that is given to counterparties with the same characteristics in terms of economic activity sector, rating and geographical area;
- the third category includes the counterparties to which a proxy cannot be assigned and for which, therefore, historical data are used.

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

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

As at 31 December 2018, the CVA value for the Crédit Agricole Italia Banking Group, calculated in accordance with the method reported above, was euro 9.875 million.

Similarly, as at 31 December 2018, the DVA value was euro 1.202 million.

The difference between the CVA and DVA amounts as calculated (equal to euro 8.7 million for the Group), net of the same component already recognised as at 31 December 2017 (equal to euro 7.6 million), is a negative income component and, as such, has been recognised in the Income Statement.

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs usedi

Level 2: this level includes all financial instruments for which there is no active market, but whose measurement is based on observable market inputs. Therefore, universally acknowledged measurement models have been set, which refer to observable market inputs.

Specifically, fixed-rate bonds relating to financial assets or liabilities are measured using the discounted cash flow method pursuant to the security contractual scheme; floating-rate bonds are measured by discounting back future cash flows estimated on the basis of the forward rates with the application of indexation 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 S.p.A. is responsible for defining the fair value category of the financial instruments recognised. 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).

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

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 recognised, 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

Assets/liabilities measured at fair value	31 Dec. 2018		
	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	89	65,111	59,956
a) financial assets held for trading;	89	65,111	32,225
b) financial assets designated at fair value;	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	27,731
2 Financial assets measured at fair value through other comprehensive income	3,025,930	201,999	32,817
3. Hedging derivatives	-	575,296	35
4. Property, Plant and Equipment	-	-	-
5. Intangible Assets	-	-	-
TOTAL	**3,026,019**	**842,406**	**92,808**
1. Financial liabilities held for trading	-	73,515	-
2. Financial liabilities designated at fair value	-	-	-
3. Hedging derivatives	-	216,347	348,202
TOTAL	**-**	**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 came to euro 8,673 thousand.

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down financial assets and liabilities measured at fair value on a recurring basis by fair value level is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

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 Dec. 2017		
	L1	L2	L3
1. Financial assets held for trading	8	72,990	1,253
2 Financial assets measured at fair value	26	73	-
3 Financial assets available for sale	5,044,755	235,854	75,045
4. Hedging derivatives	-	570,313	54
5. Property, Plant and Equipment	-	-	2,865
6. Intangible Assets	-	-	-
TOTAL	**5,044,789**	**879,230**	**79,217**
1. Financial liabilities held for trading	-	75,820	-
2. Financial liabilities measured at fair value	-	67,201	-
3. Hedging derivatives	-	279,747	247,927
TOTAL	**-**	**422,768**	**247,927**

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

A.4.5.2 Annual changes of financial assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss				Financial assets designated at fair value through other comprehensive income	Hedging derivatives	Property and equipment	Intangible assets
	Total	of which a) financial assets held for trading	of which b) financial assets designated ad fari value	Of which c) other financial assets mandatorily measured at fair value				
1. Opening balance	**23,682**	**1,746**	**-**	**21,936**	**10,509**	**54**	**2,865**	**-**
2. Increases	46,629	35,770	-	10,859	48,463	-	-	-
2.1 Purchases	37,101	29,130	-	7,971	47,437	-	-	-
2.2 Profits recognised in:	-	-	-	-	-	-	-	-
2.2.1 Income Statement	3,084	196	-	2,888	40	-	-	-
- of which: capital gains	412	174	-	238	-	-	-	-
2.2.2 Equity	-	X	X		986			
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	6,444	6,444	-	-	-	-	-	-
3. Decreases	**10,355**	**5,291**	**-**	**5,064**	**26,155**	**19**	**2,865**	**-**
3.1 Sales	7,267	2,227	-	5,039	13,336	-	-	-
3.2 Repayments	-	-	-	-	-	-	-	-
3.3 Losses	-	-	-	-	-	-	-	-
3.3.1 Income Statement	3,062	3,038	-	25	-	19	-	-
- of which: capital losses	3,060	3,036	-	25	-	19	-	-
3.3.2 Equity	-	X	X	-	12,817	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	26	26	-	-	2	-	2,865	-
4. Closing Balance	**59,956**	**32,225**	**-**	**27,731**	**32,817**	**35**	**-**	**-**

A.4.5.3 Annual changes of financial 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	**-**	**-**	**247,927**
2. Increases	**-**	**-**	**132,283**
2.1 Issues	-	-	129,526
2.2 Losses recognised in:	-	-	-
2.2.1 Income Statement	-	-	2,757
- of which Capital losses	-	-	2,757
2.2.2 Equity	X	X	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**-**	**-**	**32,008**
3.1 Redemptions	-	-	21,572
3.2 Repurchases	-	-	2,572
3.3 Profits recognised in:	-	-	-
3.3.1 Income Statement	-	-	7,864
- of which Capital gains	-	-	7,864
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing Balance	**-**	**-**	**348,202**

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 Dec. 2018			
	VB	L1	L2	L3
1. Financial assets measured at amortized cost	54,538,381	4,852,629	4,914,642	42,450,312
2. Investment property	81,273	-	-	113,398
3. Non-current assets held for sale and discontinued operations	-	-	-	-
TOTAL	**54,619,654**	**4,852,629**	**4,914,642**	**42,563,710**
1. Financial liabilities measured at amortized cost	54,188,823	-	53,200,179	763,487
2. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
TOTAL	**54,188,823**	**-**	**53,200,179**	**763,487**

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

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down financial assets and liabilities not measured at fair value or valued at fair value on a non-recurring basis by fair value level is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

A.4.5.4 Assets and liabilities that are 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 Dec. 2017			
	VB	L1	L2	L3
1. Investments held to maturity	2,234,277	2,243,331	-	19,982
2. Loans to banks	7,238,189	-	7,235,201	3,066
3. Loans to customers	44,726,163	-	-	47,324,271
4. Investment property	79,580	-	-	108,955
5. Non-current assets held for sale and discontinued operations	98	-	-	-
TOTAL	**54,278,307**	**2,243,331**	**7,235,201**	**47,456,274**
1. Loans to banks	7,059,112	-	7,059,113	-
2. Due to customers	41,039,954	-	35,162,280	5,877,674
3. Debt securities issued	9,681,752	-	9,065,928	792,789
4. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
TOTAL	**57,780,818**	**-**	**51,287,321**	**6,670,463**

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

The book value recognised 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 recognised 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 recognised, for disclosure purposes only, could be significantly different from the prices of any disposals.

A.5 – INFORMATION 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.

Disclosure on the first-time adoption of IFRS 9 - Financial Instruments

The IFRS 9 "Financial Instruments", which was endorsed by the European Union on 22 November 2016 and published in the EU Official Journal on 29 November 2016, has replaced, effective as of 1 January 2018, IAS 39 "Financial Instruments: recognition and measurement". For exhaustive reporting on the new standard, please refer to paragraph "Financial Instruments" in Part A.2.

As set forth in paragraph "Statement of compliance with the International Accounting Standards", the Crédit Agricole Italia Banking Group has exercised the option, as provided for by the IFRS 9 and the IFRS 1 "First time adoption of International Financial Reporting", not to restate the comparative financial statement data on first-time adoption of IFRS 9.

In order to provide more exhaustive reporting on the effects generated by the first-time adoption of the new standard, this section explains the choices made by the Crédit Agricole Italia Banking Group in the three different scopes covered by the IFRS 9: Classification & Measurement, Impairment and Hedge Accounting.

Then, as provided for in the document issuing the 5th update of Bank of Italy Circular no. 262 "Banks' financial statements: layout and preparation", a statement of reconciliation is given reconciling the data of the latest financial statements approved (in accordance with IAS 39) and those of the first financial statements prepared based on the new standard. The credit quality as at 1 January 2018 of financial assets measured at amortized cost is also reported.

Classification and measurement

In order to comply with the new IFRS 9, which requires financial assets to be classified based on the contractual characteristics of the cash flows from the instruments and based on the Business Model, i.e. the objective pursuing which they are managed, the methods and procedures have been designed to test the cash flow contractual characteristics (SPPI Test) and the business models have been formalized.

As regards SPPI testing of financial assets, the securities and loans as at 31 December 2017 were analyzed, in order to determine their proper classification at the First Time Adoption (FTA) of the new standard.

Specifically, as regards debt securities, the characteristics of the cash flows of the instruments recognised at amortized cost and as financial assets available for sale in accordance with IAS 39 were thoroughly analyzed. No securities were to be reclassified for having failed the SPPI test. At the first-time adoption of IFRS 9, the units of OICR collective investment undertakings (open-end funds and closed-end funds) held by the Group were categorized as held in accordance with the "Other" Business Model and, therefore, they were classified as financial assets held for trading measured at fair value through profit or loss; for the sake of completeness, it is pointed out that, based on the thorough analyses carried out and on the clarifications given by the IFRS Interpretation Committee, the OICR units for which the set Business Model is "Hold to Collect and Sell" shall be classified as assets mandatorily measured at fair value through profit or loss, as the SPPI test is considered failed.

For the loan portfolio, the Group has determined modular analyses to be carried out considering the essential standardization of the lending contracts; for tailor-made products, the test was performed on an adequately selected sample based on significance. Also for loans, no significant impacts were found within the transition to the new standard as regards classification.

Upon the IFRS 9 FTA, in accordance with the business models chosen for the management of its proprietary bond portfolio, the Crédit Agricole Italia Banking Group, chose both the "Hold to Collect and Sell" (HTCS) Business Model, used for approximately 43% of the nominal value of the security portfolio, and the "Hold to Collect" (HTC) Business Model, used for the remaining 57%.

This subdivision is consistent with the Group's management approach for liquidity investment, an approach that gives preference to High Quality Liquidity Assets (HQLA), optimizing the contribution they give to net interest income and generating positive impacts on the LCR. On the other hand, the HTCS Business Model is used only for those securities for which, on the FTA date, potential volatility through Own Funds was deemed acceptable in accordance with the risk policies (the main ones being: RAF, ICAAP and ILAAP) implemented by the Group.

The "Other" Business Model, which requires instruments to be measured at fair value through profit or loss, has been chosen for the instruments already classified as held for trading in accordance with IAS 39, as well as other residual instruments.

No reclassifications were made of securities mandatorily measured at fair value through profit or loss because the SPPI test was failed, except for OICR collective investment undertaking instruments having immaterial amounts.

As regards equity instruments, the Crédit Agricole Italia Banking Group has opted for their classification at fair value through an Equity Reserve with no recycling (also in case of sale) for the instruments to be held in the portfolio, whereas, for the remaining instruments (a residual category), it has opted for classification at fair value through profit or loss (euro 32 million).

The business model chosen upon FTA for the loan portfolio is the HTC one, which provides for these financial instruments to be measured at amortized cost, i.e. as they were classified also before the FTA, granted that they pass the SPPI test.

The Crédit Agricole Italia Banking Group has decided not to exercise the Fair Value Option (with subsequent separate recognition through equity of any fair value changes attributable to its own credit rating) as regards the stock of financial liabilities as at 1 January 2018.

IMPAIRMENT

With the new calculation method vs. the IAS 39 rules, impairment increased by approximately euro 694 million gross of tax effects (of which a gross amount of approximately euro 579 million attributable to non-performing loans classified in stage 3). Upon the FTA, this increase was recognised through an equity reserve (Retained earnings reserve) and concerned:

- HTC securities for euro 4.2 million;
- HTC&S securities for euro 3.1 million;
- loans to customers for euro 675 million (of euro 579 million in Stage 3);
- loans to banks for euro 2.0 million;
- signature loans and irrevocable commitments for euro 9.2 million.

On 12 December 2017, the European Parliament and the Council issued Regulation (EU) 2017/2395 "Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds" amending Regulation (EU) No 575/2013, the CRR, with the insertion of the new Article 473a "Introduction of IFRS 9", which gives Banks the possibility to mitigate the impacts on own funds resulting from the introduction of the IFRS 9 over a transition period of 5 years (from March 2018 to December 2022) by neutralizing the impact on CET1 through the application of percentages decreasing over time. The Crédit Agricole Italia Banking Group has decided not to apply the transitional arrangements provided for by the aforementioned Regulation.

The new method to calculate impairment provided for by the IFRS9, including the impacts on deferred tax assets, determined a negative effect on the Common Equity Tier1 (CET1) of euro 219 million; a concomitant positive effect resulted from the decrease in risk-weighted assets (RWA) of euro 441 million.

HEDGE ACCOUNTING

The IFRS 9 regulates classification and measurement of financial instruments, impairment for credit risk deterioration and 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 new rules on macro hedging.

Quantitative disclosures are reported below in terms of reclassifications and impacts of the IFRS 9 first-time adoption on own funds.

RECONCILIATION BETWEEN THE FINANCIAL STATEMENTS PUBLISHED IN THE 2017 ANNUAL REPORT AND THE IFRS 9 FINANCIAL STATEMENTS (NEW CIRCULAR 262) AS AT 1 JANUARY 2018 (RECLASSIFICATION OF IAS 39 BALANCES)

DATA IN €/1000

Circular 262/2005 4th update ASSETS	31 Dec. 2017 (Former IAS 39	10. Cash and cash equivalents	20. Financial assets measured at fair value through profit or loss			30. Financial assets measured at fair value through other comprehensive income	40. Financial assets measured at amortized cost		50. Hedging derivatives	60. Fair value change of financial assets in macro-hedge portfolios	70. Equity investments	80. Reinsurers' share of technical reserves	90. Property, Plant and Equipment	100. Insangigle assets	110. Tax assets		120. Noncurrent assets held for sale and discontinued operations	130. Other assets
			a) financial assets held for trading	b) financial assets designate dal fair value	c) other financial assets mandatorily measured at fair value		a) due from banks	b) loans to customer							a) current	b) deferred		
10. Cash and cash equivalents	1,990,365	1,990,365																
20. Financial assets held for trading	74,252		74,219		32													
30. Financial assets measured at fair value	99		99															
40. Financial assets available for sale	5,344,090		40,046		30,353	3,380,422	1,956	1,891,312										
50. Financial assets held to maturity	2,234,277							2,234,277										
60. Loans to banks	7,237,907					1,434	7,236,474											
70. Loans to customers	44,251,456							44,251,456										
80. Hedging derivatives	570,367								570,367									
90. Fair value change of financial assets in macro-hedge portfolios (+/-)	26,085									26,085								
100. Equity investments	33,868										33,868							
110. Reinsurers' share of technical reserves	-											-						
120. Property, Plant and Equipment	838,358												838,358					
130. Intangible assets	1,959,264													1,959,264				
of which: goodwill	1,575,536																	
140. Tax assets	1,458,004														1,458,004			
a) current	317,588														317,588			
b) deferred	1,140,417															1,140,417		
b1) pursuant to Italian Law No. 214/2011	725,894																	
150. Non-current assets and groups of assets held for sale and discontinuedoperations	98																98	
160 Other assets	694,075																	694,075
Total assets	**66,712,565**	**1,990,365**	**114,364**	**-**	**30,385**	**3,381,856**	**7,238,430**	**48,377,045**	**570,367**	**26,085**	**33,868**	**-**	**838,358**	**1,959,264**	**317,588**	**1,140,417**	**98**	**694,075**

Circ. 262/2005 4th update LIABILITIES AND EQUITY	31 Dec. 2017 (ex IAS 39)	10. Financial liabilities measured at amortised cost			20. Financial liabilities held for trading	30. Financial liabilities designated at fair value	40. Hedging derivatives	50. Fair value change of financial liabilities in macro-hedge portfolios (+/-)	60. Tax adjustement		70. Liabilities associated with non-current assets held for sale and discontinued	80. Other liabilities	90. Employee severance benefits	100. Provisions for risks and charges			110. Technical reserves	120. Valuation reserves	140. Equity instruments	150. Reserves	160. Share premium reserve	170. Share Capital	180. Treasury shares (+/-)	190. Minority interests (+/-)	200. Profit (Loss) for the year
		a) Loans to banks	b) Loans to customers	c) Debt securities issued					a) current	b) deferred				a) financial guarantees and other	b) post-employment and similar obligations	c) other provisions for risks and charges									
10. Loans to banks	7,059,113	7,059,113																							
20. Loans to customers	40,575,365		40,575,365																						
30. Debt securities issued	9,715,753			9,715,753																					
40. Financial liabilities held for trading	75,820				75,820																				
50. Financial liabilities measured at fair value	67,201			67,201																					
60. Hedging derivatives	527,675						527,675																		
70. Fair value change of financial liabilities in macro-hedge portfolios (+/-)	373,754							373,754																	
80. Tax liabilities	231,849								231,849																
(a) current	146,014								146,014																
b) deferred	85,835									85,835															
90. Liabilities associated with non-current assets held for sale and discontinued operations	-										-														
100. Other liabilities	1,126,839											1,091,563		35,276											
110. Provisions for empolyees severance pay	151,130												151,130												
120. Provisions for risks and charges	433,953													433,953											
(a) Post-employment benefits and similar obligations	40,191														40,191										
b) other provisions	393,762															393,762									
130. Technical reserves	-																-	-							
140. Valuation reserves	-18,941																	-18,941							
160. Equity instruments	365,000																		365,000						
170. Reserves	1,150,176																			1,150,176					
180 Share premium reserve	2,997,386																				2,997,386				
190. Capital	934,838																					934,838			
200. Treasury shares (+/-)	-4,065																						-4,065		
210. Minority interests (+/-)	259,479																							259,479	
220. Profit (Loss) for the period	690,240																								690,240

RECONCILIATION BETWEEN THE FINANCIAL STATEMENTS PUBLISHED IN THE 2017 ANNUAL REPORT AND THE IFRS 9 FINANCIAL STATEMENTS (NEW CIRCULAR 262) AS AT 1 JANUARY 2018 (RECLASSIFICATION OF IAS 39 BALANCES)

Circular 262/2005 5th update - ASSETS	31 Dec. 2017	IFRS 9 FTA impacts				1 Jan. 2018
		Securities C&M	Loans and Securities (uimpairment)	Tax effects	Total FTA impacts	
10. Cash and cash equivalents	1,990,365					1,990,365
20. Financial assets measured at fair value through profit or loss (IFRS 7 para. 8 letter a))	144,749					144,749
a) financial assets held for trading	114,364					114,364
b) financial assets designated at fair value	-					-
c) other financial assets mandatorily measured at fair value	30,385					30,385
30. Financial assets measured at fair value through other comprehensive income (IFRS 7, para. 8 letter h))	3,381,856	-22			-22	3,381,834
40. Financial assets measured at amortized cost (IFRS 7 para. 8 letter f))	55,615,475	**6,865**	**-681,255**		**-674,390**	54,941,085
a) loans to banks	7,238,430	-4	-2,316		-2,320	7,236,110
b) loans to customers	48,377,045	6,869	-678,939		-672,070	47,704,975
50. Hedging derivatives	570,367					570,367
60. Change in value of macro-hedged financial assets (+/-)	26,085					26,085
70. Equity investments	33,868					33,868
80. Reinsurers' share of technical reserves	-					-
90. Property, Plant and Equipment	838,358					838,358
100. Intangible assets	1,959,264					1,959,264
- of which goodwill	1,575,536					1,575,536
110. Tax assets	1,458,005			**216,233**	**216,233**	1,674,238
a) current	317,588			204,437	204,437	522,025
b) deferred	1,140,417			11,796	11,796	1,152,213
120. Non-current assets held for sale and discontinued operations	98					98
120. Other assets	694,075					694,075
Total assets	**66,712,565**	**6,843**	**-681,255**	**216,233**	**-458,179**	**66,254,386**

Circular 262/2005 5th update - LIABILITIES AND EQUITY	31 Dec. 2017	IFRS 9 FTA impacts				1 Jan. 2018
		Securities	Loans	Tax effects	Total FTA impacts	
10 Financial liabilities measured at amortized cost	57,417,432	**376**			**376**	57,417,808
a) Loans to banks	7,059,113					7,059,113
b) Loans to customers	40,575,365					40,575,365
c) Debt securities issued	9,782,954	376			376	9,783,330
20 Financial liabilities held for trading	75,820					75,820
30 Financial liabilities designated at fair value	-					-
40 Hedging derivatives	527,675					527,675
50 Fair value change of financial liabilities in macro-hedge portfolios (+/-)	373,754					373,754
60 Tax liabilities	231,849			**2,141**	**2,141**	233,990
a) current	146,014					146,014
b) deferred	85,835			2,141	2,141	87,976
70 Liabilities associated with non-current assets held for sale and discontinued operations	-					-
80 Other liabilities	1,091,563					1,091,563
90 Employee severance benefits	151,130					151,130
100 Provisions for risks and charges	469,229		**9,193**		**9,193**	478,422
a) financial guarantees and other commitments	35,276		9,193		9,193	44,469
b) post-employment benefits and similar obligations	40,191				-	40,191
c) other provisions for risks and charges	393,762				-	393,762
110 Technical provisions	-					
120 Valuation reserves	-18,941	496	3,076	-2,662	910	-18,031
140 Equity instruments	365,000					365,000
150 Reserves	1,150,176	5,261	-658,566	207,083	-446,222	703,954
160 Share premium reserve	2,997,386					2,997,386
170 Capital	934,838					934,838
180 Treasury shares (+/-)	-4,065					-4,065
190 Minority interests (+/-)	259,479	710	-34,958	9,671	-24,577	234,902
200 Profit (Loss) for the period	690,240				-	690,240
Total liabilities and equity	**66,712,565**	**6,843**	**-681,255**	**216,233**	**-458,179**	**66,254,386**

Reconciliation between IAS 39 Shareholders' equity and IFRS 9 Shareholders' equity

Reconciliation between IAS 39 Shareholders' equity and IFRS 9 Shareholders' equity	
IAS 39 GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2017	**6,374,113**
of which: Group	6,114,634
of which: minority interests	259,479
CLASSIFICATION AND MEASUREMENT	
Adjustment of financial assets and liabilities resulting from change in Business Model	**6,467**
Reclassification from valuation reserves to retained earnings reserves	**-**
net change in valuation reserves due to application of new classification and measurement rules	-6,888
net change in retained earnings reserves due to application of new classification and measurement rules	6,888
IMPAIRMENT	
Application of the new (ECL) impairment model to loans measured at amortized cost	**-677,071**
performing (stage 1 and 2)	-98,152
non-performing (stage 3)	-578,919
Application of the new (ECL) impairment model to guarantees issued and commitments (irrevocable and revocable) to disburse funds	**-9,193**
Application of the new (ECL) impairment model to debt securities measured at amortized cost	**-4,184**
performing (stage 1 and 2)	-4,184
non-performing (stage 3)	-
Reclassification from valuation reserves to retained earnings reserves	**-**
net change in valuation reserves due to impairment of financial assets measured at fair value through other comprehensive income	3,077
net change in valuation reserves due to impairment of financial assets measured at fair value through other comprehensive income	-3,077
TAX EFFECT	**214,092**
Allocation of IFRS 9 transition effects to minority interests	**-24,577**
Total IFRS 9 transition effects as at 1 Jan. 2018	**-445,312**
IFRS 9 EQUITY - 1 Jan. 2018	**5,904,224**
of which: Group	5,669,322
of which: minority interests	234,902

Breakdown by type and stage of exposures at amortized cost subject to IFRS9 impairment process and related ECL

Data in €/000

On-balance-sheet exposures (amortized cost)	IFRS 9											
	Gross exposure				Total value adjustments				Net exposure			
Items	Stage 1	Stage 2	Stage 3	TOTALE	Stage 1	Stage 2	Stage 3	TOTALE	Stage 1	Stage 2	Stage 3	TOTAL
Loans to customers	38,186,346	3,338,708	5,059,681	46,584,735	96,522	225,336	2,852,769	3,174,627	38,089,824	3,113,372	2,206,912	43,410,108
Loans to banks	7,236,473	-	-	7,236,473	1,951	-	-	1,951	7,234,522	-	-	7,234,522
Debt securities	4,300,482	157	-	4,300,639	4,160	24	-	4,184	4,296,322	133	-	4,296,455
TOTAL	**49,723,301**	**3,338,865**	**5,059,681**	**58,121,847**	**102,633**	**225,360**	**2,852,769**	**3,180,762**	**49,620,668**	**3,113,505**	**2,206,912**	**54,941,085**

On-balance-sheet exposures	IAS 39								
	Gross exposure			Total value adjustments			Net exposure		
Items	Performing	Non performing	TOTAL	Performing	Non performing	TOTAL	Performing	Non performing	TOTAL
Loans to customers	41,525,055	5,059,681	46,584,736	225,658	2,273,849	2,499,507	41,299,397	2,785,832	44,085,229
Loans to banks	7,236,473		7,236,473			-	7,236,473	-	7,236,473
Debt securities	167,661		167,661			-	167,661	-	167,661
TOTAL	**48,929,189**	**5,059,681**	**53,988,870**	**225,658**	**2,273,849**	**2,499,507**	**48,703,531**	**2,785,832**	**51,489,363**

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 Dec. 2018	31 Dec. 2017
a) Cash	295,958	286,905
b) Demand deposits with Central Banks	-	1,703,460
TOTAL	**295,958**	**1,990,365**

Sub-item "b) Demand deposits with central banks" as at 31 december 2017 reports the amount exceeding the Reserve requirement as at 31 december 2017. The portion to Reserve Requirement has been recognised under financial assets measured at amortized cost - loans to banks.

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 Dec. 2018			31 Dec. 2017		
	L1	L2	L3	L1	L2	L3
A. On-balance-sheet assets						
1. Debt securities	89	-	-	8	-	2
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	89	-	-	8	-	2
2 Equity securities	-	-	-	-	32	1
3. Units of OICR	-	-	25,135	-	-	-
4. Loans	-	-	6,440	-	-	-
4.1 Repurchase agreements for lending purposes	-	-	-	-	-	-
4.2 Other	-	-	6,440	-	-	-
Total A	**89**	**-**	**31,575**	**8**	**32**	**3**
B. Derivatives						
1. Financial Derivatives	-	65,111	650	-	72,959	1,250
1.1 held for trading	-	65,111	650	-	68,747	1,250
1.2 associated with fair value option	-	-	-	-	4,212	-
1.3 other	-	-	-	-	-	-
2. Credit Derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
TOTAL B	**-**	**65,111**	**650**	**-**	**72,959**	**1,250**
TOTAL (A+B)	**89**	**65,111**	**32,225**	**8**	**72,991**	**1,253**

Item 3 "Units of O.I.C.R collective investment undertakings" came to euro 25,135 thousand and mainly reports the investments in in the "Asset Bancari III" real estate fund as to Euro 15,308 thousand, in the "Anthilia Bond Impres" fund as to Euro 3,066 thousand, in the "Minibond PMI" fund as to Euro 2,767 thousand and in the "Toscana Venture FCC" fund as to Euro 1,995 thousand.

In Item 4 “Loans”, the amount of euro 6,440 thousand reports a capitalization instrument fully repaid in February 2019.

2.2 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY BORROWER/ISSUER/ COUNTERPARTY

Items/Values	31 Dec. 2018
A. On-balance-sheet assets	
1. Debt securities	**89**
a) Central Banks	-
b) Public administration bodies	88
c) Banks	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	**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	**31,664**
B. Derivatives	
a) Central counterparties	-
b) Other	65,761
TOTAL B	**65,761**
TOTAL (A+B)	**97,425**

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down the IAS 39 Financial assets held for trading portfolio by borrower/issuer/counterparty is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

2.2 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY BORROWER/ISSUER/COUNTERPARTY

Items/Values	31 Dec. 2017
A. On-balance-sheet assets	
1. Debt securities	10
a) Governments and Central Banks	7
b) Other public administration bodies	-
c) Banks	1
c) Other issuers	2
2. Equity securities	33
a) Banks	32
c) Other issuers:	1
- Insurance undertakings	-
- Financial companies	-
- Non-financial corporations	1
- other	-
3. Units of O.I.C.R. collective investment undertakings	-
4 Loans	-
a) Governments and Central Banks	-
b) Other public administration bodies	-
c) Banks	-
d) Other parties	-
TOTAL A	**43**
B. Derivatives	
a) Banks	
- fair value	12,290
b) Customers	
- fair value	61,919
TOTAL B	**74,209**
TOTAL (A+B)	**74,252**

2.5 OTHER FINANCIAL ASSETS MEASURED AT FAIR VALUE MANDATORY REQUIREMENTS: BREAKDOWN

Items/Values	31 Dec. 2018		
	L1	L2	L3
1. Debt securities	-	-	-
1.1 Structured Securities	-	-	-
1.2 Other debt securities	-	-	-
2. Equity securities	-	-	27,731
3. Units of O.I.C.R. collective investment undertakings	-	-	-
4. Loans	-	-	-
4.1 Repurchase agreements	-	-	-
4.2 Other	-	-	-
TOTAL	**-**	**-**	**27,731**

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

Euro 28 million is the amount of the shares held in Fraer Leasing, Autovie Venete, Friulia and Termomeccanica, which were classified as financial assets mandatorily measured at fair value.

For the table as at 31 December 2017, please see the section on financial assets measured at fair value through other comprehensive income.

2.6 OTHER FINANCIAL ASSETS MEASURED AT FAIR VALUE FOR MANDATORY REQUIREMENTS: BREAKDOWN BY BORROWER/ ISSUER

Items/Values	31 Dec. 2018
1. Equity securities	**27,731**
of which: banks	346
of which: other financial companies	5,224
of which: non-financial corporations	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	**27,731**

For the table as at 31 December 2017, please seethe “Financial assets measured at fair value through other comprehensive income” section.

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 Dec. 2018		
	L1	L2	L3
1. Debt securities	3,013,042	-	-
1.1 Structured Securities	-	-	-
1.2 Other debt securities	3,013,042	-	-
2. Equity securities	12,888	201,999	32,817
3. Loans	-	-	-
TOTAL	**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 came to a total of euro 3,013 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. These shares were recognised 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 include the shares held in Unipol- Sai capital for an amount of euro 12.9 million.

Equity securities at level 3 include the contribution to the Voluntary Scheme of the Italian Interbank Deposit Protection Fund amounting to euro 13.8 million; among the other main interests worth specific mentioning are those in Immobiliare Oasi nel Parco Srl amounting to euro 3.5 million, Fidi Toscana S.p.A. amounting to euro 2.4 million and in Silca s.n.c. amounting to euro 2.1 million.

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down the IAS 39 Financial assets available for sale portfolio by type is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

4.1 FINANCIAL ASSETS AVAILABLE FOR SALE: BREAKDOWN BY TYPE

Items/Values	31 Dec. 2017		
	Level 1	Level 2	Level 3
1. Debt securities	5,030,427	188	8,871
1.1 Structured Securities	-	-	-
1.2 Other debt securities	5,030,427	188	8,871
2. Equity securities	12,921	208,338	59,449
2.1 Measured at fair value	12,921	208,338	49,236
2.2 Measured at cost	-	-	10,213
3. Units of O.I.C.R. collective investment undertakings	1,407	14,328	8,161
4. Loans	-	-	-
TOTAL	**5,044,755**	**222,854**	**76,481**

3.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY BORROWER/ISSUER

Items/Values	31 Dec. 2018
1. Debt securities	**3,013,042**
a) Central Banks	-
b) Public administration bodies	3,013,042
c) Banks	-
d) Other financial companies	-
of which: insurance undertakings	-
e) Financial companies	-
2. Equity securities	**247,704**
a) Banks	202,389
c) Other issuers:	45,315
- other financial companies	30,610
of which: insurance undertakings	12,887
- non-financial corporations	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	**3,260,746**

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down the IAS 39 Financial assets available for sale portfolio by borrower/issuer is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

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

Items/Values	31 Dec. 2017
1. Debt securities	**5,039,486**
a) Governments and Central Banks	5,028,026
b) Other public administration bodies	51
c) Banks	2,677
d) Other issuers	8,732
2. Equity securities	**280,708**
a) Banks	204,320
c) Other issuers:	76,388
- Insurance undertakings	15,064
- Financial companies	16,760
- Non-financial corporations	44,381
- other	183
3. Units of O.I.C.R. collective investment undertakings	**23,896**
4. Loans	**-**
a) Governments and Central Banks	-
b) Other public administration bodies	-
c) Banks	-
d) Other parties	-
TOTAL	**5,344,090**

3.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value				Total adjustments			Total partial write off (*)
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	3,015,937	389,816	-	-	-2,895	-	-	-
Loans	-	-	-	-	-	-	-	-
TOTAL 31 DEC. 2018	**3,015,937**	**389,816**	**-**	**-**	**-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 Dec. 2018						31 Dec. 2017					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: acquired or originated	L1	L2	L3	First and second stage	Third stage	of which: acquired or originated	L1	L2	L3
A. Claims on central banks	**2,372,577**	**-**	**-**	**-**	**2,372,577**	**-**	**5,385,945**	**-**	**-**	**-**	**5,385,945**	**-**
1. Time deposits	X	X	X	X	X	-	X	X	X	-	-	-
2. Reserve requirement	2,366,266	-	-	X	X	X	5,382,265	-	-	X	X	X
3 Repurchase agreements		-	-	X	X	X		-	-	X	X	X
4. Other	6,311	-	-	X	X	X	3,,680	-	-	X	X	X
B. Loans to banks	**1,164,522**	**-**	**-**	**-**	**1,164,522**	**-**	**1,851,962**	**-**	**-**	**-**	**1,851,962**	**-**
1. Loans												
1.1 Current accounts and on demand	272,946	-	-	X	X	X	285,698	-	-	X	X	X
deposits	488,523	-	-	X	X	X	1,007,840	-	-	X	X	X
1.2 Time deposits	403,453	-	-	X	X	X	555,435	-	-	X	X	X
1.3 Other loans:	-	-	-	X	X	X	-	-	-	X	X	X
- Repurchase agreements for lending purposes	-	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	403,053	-	-	X	X	X	555,435	-	-	X	X	X
- Other	-	-	-	-	-	-	2,989	-	-	-	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	2,989	-	-	-	-	-
TOTAL	**3,537,099**	**-**	**-**	**-**	**3,537,099**	**-**	**7,237,907**	**-**	**-**	**-**	**7,237,907**	**-**

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

As at 31 December 2018, there were no non-performing assets loans to banks.

4.2 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF LOANS TO CUSTOMERS

Type of transactions/ values	31 Dec. 2018						31 Dec. 2017					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: acquired or originated	L1	L2	L3	Stage 1 and 2	Stage 3	of which: acquired or originated	L1	L2	L3
1. Loans	44,265,520	1,750,204	-	-	1,377,463	42,450,201	41,299,397	2,785,832	-	-	-	-
1.1 Current accounts	2,739,740	388,223	-	X	X	X	2,813,239	658,948	-	-	-	-
1.2 Reserve repurchase agreements	-	-	-	X	X	X	342,913	-	-	-	-	-
1.3 Mortgage loans	28,110,213	1,034,526	-	X	X	X	27,116,089	1,681,842	-	-	-	-
1.4 Credit cards, personal loans and Ififth. of.-salary backed loans	230,239	5,996	-	X	X	X	254,108	9,534	-	-	-	-
1.5 Leasing finanziario	1,675,157	132,245	-	X	X	X	1,644,366	160,162	-	-	-	-
1.6 Factoring	-	-	-	X	X	X	-	-	-	-	-	-
1.7 Other loans	11,510,171	189,214	-	X	X	X	9,128,682	275,346	-	-	-	-
2. Debt securities	4,985,558	-	-	4,830,360	79	111	166,227	-	-	-	-	164,955
2.1 Structured Securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	4,985,558	-	-	4,830,360	79	111	166,227	-	-	-	-	164,955
TOTAL	**49,251,078**	**1,750,204**	**-**	**4,830,360**	**1,377,542**	**42,450,312**	**41,465,624**	**2,785,832**	**-**	**-**	**-**	**164,955**

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

As regards the values in the first and second stages, 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 7.8 billion, as well as asset-backed securities for euro 2.7 billion;
- sub-item "7. Other loans" increased by euro 2.4 billion mainly subsequent to new medium-/long-term loans granted through the cooperation with Agos Ducato S.p.A.;
- item "2.2 Other debt securities" reports almost exclusively Italian Government securities

4.3 FINANCE LEASES

Time ranges	Total					
	NET NON-PERFORMING EXPOSURES (1)	Minimum payments			Gross investment (3)	
		Principal portion (2)		Interest portion		
			of which secured residual value			of which unsecured residual value
- on demand	95,453	29,425	-	3,016	32,441	2
- up to 3 months	14,524	61,997	-	8,520	70,517	1,244
- beyond 3 months	-	-	-	-	-	-
up to 1 year	9,165	245,005	-	31,805	276,810	3,169
- beyond 1 year	-	-	-	-	-	-
up to 5 years	12,545	866,400	-	106,329	972,728	57,955
- beyond 5 years	558	509,378	-	54,858	564,236	127,350
- duration	-	-	-	-	-	-
unspecified	-	-	-	-	-	-
	132,245	1,712,205	-	204,528	1,916,732	189,720
Value adjustments						
- on a collective basis	-	-28,419	-	-	-	-
NET TOTAL	**132,245**	**1,683,785**	**-**	**204,528**	**1,916,732**	**189,720**

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

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

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

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

Financed assets are different according to the lease applicant and/or the nature of business operations. In general, financed assets belong to 4 categories: motor vehicles (cars, commercial vehicles and industrial vehicles), air rail naval (aircraft, pleasure boats, railway cars), equipment and property (commercial and industrial buildings both completed and to be built) and renewable energy equipment (photovoltaic plants, wind turbines, hydroelectric plants, etc.).

SALE AND LEASE-BACK TRANSACTIONS

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

Loans resulting from lease-back agreements, which for Crédit Agricole Leasing Italia S.r.l. have no particular features in their clauses, except possibly in the ones relating to the regulation of the Supplier role (identifiable with the lessee), came to euro 187.9 million.

4.4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY BORROWER/ISSUER OF LOANS TO CUSTOMERS

Type of transactions/values	31 Dec. 2018		
	Stage 1 and 2	Stage 3	of which: acquired or originated
1. Debt securities	**4,985,558**	**-**	**-**
a) Public administration bodies	4,812,505	-	-
b) Other financial companies	152,982	-	-
of which: insurance undertakings	152,903	-	-
c) non-financial corporations	20,071	-	-
2. Loans to:	**44,265,520**	**1,750,204**	**-**
a) Public administration bodies	299,807	3	-
b) Other financial companies	5,925,498	13,976	-
of which: insurance undertakings	93,772	2	-
c) non-financial corporations	15,729,985	1,343,405	-
d) Households	22,310,230	392,820	-
TOTAL	**49,251,078**	**1,750,204**	**-**

Even though not fully comparable because of the IFRS 9 adoption, the table as at 31 December 2017 breaking down the IAS 39 Loans to customers portfolio by borrower/issuer is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

7.2 LOANS TO CUSTOMERS: BREAKDOWN BY DEBTOR/ISSUER

Type of transactions/values	31 Dec. 2017		
	Performing	Non-performing	
		Purchased	Other
1. Debt securities:	**166,227**	**-**	**-**
a) Governments	-	-	-
b) Other public administration bodies	-	-	-
c) Other issuers	166,227	-	-
- Non-financial corporations	-	-	-
- Financial companies	10,642	-	-
- Insurance undertakings	155,475	-	-
- other	110	-	-
2. Loans to:	**41,299,397**	**1,865**	**2,783,967**
a) Governments	64,283	-	4
b) Other public administration bodies	262,819	-	-
c) Other parties	40,972,295	1,865	2,783,963
- Non-financial corporations	18,281,358	-	2,230,686
- Financial companies	4,394,438	-	51,070
- Insurance undertakings	84,649	-	23
- other	18,211,850	1,865	502,184
TOTAL	**41,465,624**	**1,865**	**2,783,967**

4.5 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value				Total adjustments			Total partial write-offs(*)
	Stage 1	of which: instruments whith low Credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	4,990,311	3,900,873	96	-	-4,832	-17	-	-
Loans	42,671,926	-	3,036,960	3,681,414	-83,155	-195,689	-1,931,211	27,265
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 CONTRACTS AND UNDERLYING ASSET

	Fair value 31 Dec. 2018			NV 31 Dec. 2018	Fair value 31 Dec. 2017			NV 31 Dec. 2017
	L1	L2	L3		L1	L2	L3	
A. Financial Derivatives	**-**	**575,296**	**35**	**18,647,844**	**-**	**570,313**	**54**	**14,161,919**
1) Fair value	-	575,296	35	18,647,844	-	570,313	54	14,161,919
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**575,296**	**35**	**18,647,844**	**-**	**570,313**	**54**	**14,161,919**

Key: NV= Notional value L1= Level 1 L2= Level 2 L3= Level 3

5.2 HEDGING DERIVATIVES: BREAKDOWN BY HEDGED PORTFOLIOS AND BY TYPE OF HEDGING

Transactions/Type of hedge	Fair value							Cash flows		Investments in foreign operations
	Specific						Generic	Specific	Generic	
	Debt securities and interest rates	Equity securities and equity indices	Foreign exchange rates and gold	Credit risk	Commodities	Other				
1. Financial assets measured at fair value through other comprehensive income	1,731	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortized cost	81,425	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**83,156**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	492,175	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**492,175**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
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 81,425 thousand and referred to mortgage loans hedging.

The “Hedging Derivatives” item referring to financial liabilities consisted of euro 86,177 thousand for hedging own bonds issued and euro 405,998 thousand for macrohedging of demand deposits.

Section 6 - Change in value of macro-hedged financial assets (+/-) . Item 60

FAIR VALUE CHANGE OF HEDGED ASSETS BREAKDOWN BY HEDGED PORTFOLIO

Fair value change of hedged assets/Values	31 Dec. 2018	31 Dec. 2017
1. Positive fair value change	**40,224**	**26,158**
1.1 of specific portfolios:	40,224	26,158
a) financial assets measured at amortized cost	40,224	26,158
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
2. Negative fair value change	**-71**	**-73**
2.1 of specific portfolios:	-71	-73
a) financial assets measured at amortized cost	-71	-73
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	-	-
TOTAL	**40,153**	**26,085**

Section 7 – Equity investments - Item 70

7.1 EQUITY INVESTMENTS: INFORMATION ON SHAREHOLDING

Name	Registered Office	Operating HQ	Type of control [1]	Equity investment		% of votes available
				direct ownership	% held	
A. Joint arrangements						
not present						
B. Investees subject to significant influence						
1. Fiere di Parma S.p.A.	Parma, Italy	Parma, Italy	4	Crédit Agricole Italia	32,42%	32,42%
2. Le Village by CA Milano S.r.l.	Milan, Italy	Milan, Italy	4	Crédit Agricole Italia	38,91%	38,91%
3. Cassa di Risparmio di Volterra S.p.A.	Volterra, Italy	Volterra, Italy	4	Crédit Agricole Italia	20,00%	20,00%

[1] Type of control:
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 earned

Name	Book value	Fair value	Dividends received
A. Joint arrangements			
not present			
B. Investees subject to significant influence			
1. Fiere di Parma S.p.A.	20,483	-	-
2 Le Village by CA Milano S.r.l.	156	-	-
3. Cassa di Risparmio di Volterra S.p.A.	7,116	-	-
TOTAL	**27,755**	**-**	**-**

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 2018.

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	Adjustments and writebacks of Property, plant and equipment and intangible assets	Profit (Loss) before tax from continuing operations	Profit (Loss) after tax from continuing operations	Profit (loss) from discontinued operations, net of taxes	Profit (Loss) for the period (1)	Other income components after taxes (2)	"Compre-hensive income (3) = (1) + (2)"
A. Joint arrangements														
not present														
B. Investees subject to significant influence														
1. Fiere di Parma S.p.A.	X	8,265	72,449	29,091	11,036	24,042	X	X	-1,793	-1,550	-	-1,550	-	-1,550
2. Le Village by CA Milano S.r.l.	X	317	1,349	-	1,491	528	X	X	-226	-226	-	-226	-	-226
3. Cassa di Risparmio di Volterra S.p.A.	X	1,966,149	144,581	1,905,290	56,504	118,898	X	X	4,386	3,133	-	3,133	3,292	6,425

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 2018, whereas the financial data regarding Fiere di Parma S.p.A. and Cassa di Risparmio di Volterra S.p.A. have been taken from the approved financial statements as at 31 December 2017.

7.4 NON-SIGNIFICANT EQUITY INVESTMENTS: FINANCIAL INFORMATION

The Financial Statements as at 31 December 2018 do not report any non-significant equity investments.

7.5 EQUITY INVESTMENTS: CHANGES FOR THE YEAR

	31 Dec. 2018	31.12.2017
A. Opening balance	33,868	-
B. Increases	166	33,868
B.1 Purchases	156	33,868
B.2 Recoveries/writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	10	-
C. Decreases	-6,279	-
C.1 Sales	-2,870	-
C.2 Value adjustments	-3,100	-
C.3 Other changes	-309	-
D. Closing balance	27,755	33,868
E. Total recoveries/writebacks	-	-
F. Total Adjustments/Write-down	-	-

The decrease of euro 2.9 million resulted, as to approximately euro 2 million, from the sale of a portion of the shareholding in Fiere di Parma and, as to the remaining portion, from the sale of the equity investments in Vegagest SGR S.p.A.

The increase of euro 156 thousand reports the equity investments in Le Village by CA Milano.

7.6 KEY CONSIDERATIONS AND ASSUMPTIONS TO DETERMINE THE EXISTENCE OF JOINT CONTROL OR SIGNIFICANT INFLUENCE

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 JOINTLY CONTROLLED COMPANIES

As at 31 December 2018, there were no joint arrangements and, therefore, no commitments referring to the same.

7.8 COVENANTS ON INVESTMENTS IN COMPANIES UNDER SIGNIFICANT INFLUENCE

As at 31 December 2018, there were no commitments referring to entities subject to significant influence.

7.9 DISCLOSURE OF SIGNIFICANT RESTRICTIONS

As at 31 December 2018, 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 VALUED AT COST

Assets/Values	31 Dec. 2018	31 Dec. 2017
1. Owned	**749,349**	**753,869**
a) land	206,949	200,710
b) buildings	441,580	455,192
c) furniture	21,055	21,216
d) electronic plants	5,622	7,731
e) other	74,143	69,020
2. Acquired under finance leases	**2,004**	**2,044**
a) land	172	172
b) buildings	1,832	1,872
c) furniture	-	-
d) electronic plants	-	-
e) other	-	-
TOTAL	**751,353**	**755,913**
of which: obtained through the enforcement of guarantees received	-	-

9.2 PROPERTY, PLANT AND EQUIPMENT HELD FOR INVESTMENT: BREAKDOWN OF ASSETS VALUED AT COST

Assets/Values	31 Dec. 2018				31 Dec. 2017			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned	**81,273**	**-**	**-**	**113,398**	**79,580**	**-**	**-**	**108,955**
a) land	33,599	-	-	39,718	32,251	-	-	41,963
b) buildings	47,674	-	-	73,680	47,329	-	-	66,992
2. Acquired under finance leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
TOTAL	**81,273**	**-**	**-**	**113,398**	**79,580**	**-**	**-**	**108,955**
of which: obtained through the enforcement of guarantees received	-	-	-	-	-	-	-	-

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

9.5 INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT GOVERNED BY IAS 2; BREAKDOWN

Assets/Values	31 Dec. 2018	31 Dec. 2017
1. Inventories of assets obtained through the enforcement of guarantees received	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic plants	-	-
e) other	-	-
2. Other inventories of property, plant and equipment	**15,164**	**-**
TOTAL	**15,164**	**-**
of which: measured at fair value net of sale costs	7,138	-

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

	Land	Buildings	Furniture	Electronic	Other	Total
A. Opening gross balance	**200,882**	**736,590**	**125,050**	**77,503**	**269,946**	**1,409,971**
A.1 Total net impairment writedowns	-	-279,526	-103,834	-69,772	-200,926	-654,058
A.2 Opening net balance	**200,882**	**457,064**	**21,216**	**7,731**	**69,020**	**755,913**
B. Increases	**8,499**	**14,628**	**4,441**	**2,062**	**19,576**	**49,206**
B.1 Purchases	-	-	4,441	2,062	19,576	26,079
B.2 Capitalized improvement expenses	-	8,230	-	-	-	8,230
B.3 Recoveries/Writebacks	-	-	-	-	-	-
B.4 Fair value gains recognised in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other changes	8,499	6,398	-	-	-	14,897
C. Decreases	**-2,260**	**-28,280**	**-4,602**	**-4,171**	**-14,453**	**-53,766**
C.1 Sales	-81	-391	-	-	-1	-473
C.2 Depreciation	-	-18,328	-1,811	-3,153	-13,567	-36,859
C.3 Impairment losses recognised in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
C.4 Fair value losses recognised in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to	-1,007	-1,135	-	-	-	-2,142
a) Investment property	-1,007	-1,135	X	X	X	-2,142
b) Non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-1,172	-8,426	-2,791	-1,018	-885	-14,292
D. Closing net balance	**207,121**	**443,412**	**21,055**	**5,622**	**74,143**	**751,353**
D.1 Total net impairment writedowns	-	295,530	105,565	71,432	214,422	686,949
D.2 Closing gross balance	**207,121**	**738,942**	**126,620**	**77,054**	**288,565**	**1,438,302**
E. Measurement at cost	-	-	-	-	-	-

9.7 PROPERTY, PLANT AND EQUIPMENT HELD FOR INVESTMENT: ANNUAL CHANGES

	31 Dec. 2018	
	Land	Buildings
A. Opening balance	**32,916**	**49,529**
B. Increases	**5,733**	**6,699**
B.1 Purchases	-	-
B.2 Capitalized improvement expenses	3,335	275
B.3 Fair value gains	-	-
B.4 Recoveries/writebacks	-	-
B.5 Positive exchange rate differences	-	-
B.6 Transfers from operating assets	1,007	1,135
B.7 Other changes	1,391	5,289
C. Decreases	**-5,050**	**-8,554**
C.1 Sales	-	-755
C.2 Depreciation	-	-1,896
C.3 Fair Value losses	-	-
C.4 impairment losses	-	-293
C.5 Negative exchange rate differences	-	-
C.6 Transfers to:	-	-
a) operating assets	-	-
b) Non-current assets held for sale and discontinued operations	-	-
C.7 Other changes	-5,050	-5,610
D. Closing balance	**33,599**	**47,674**
E. Designated at fair value	31,209	86,253

The other decreases mainly report the effect of reallocation of property, plant and equipment inventories that, as at 31 Dec. 2017, had been recognised under investment property and, as at 31 Dec. 2018, were separately recognised in compliance with the 5th update of Bank of Italy Circular no. 262.

9.8 INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT GOVERNED BY IAS 2; CHANGES FOR THE YEAR

	Inventories of assets obtained through the enforcement of guarantees received					Other inventories of property and equipment	Total
	Land	Buildings	Furniture	Electronic equipment	Other		
A. Opening balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**-**	**-**	**-**	**-**	**-**	**15,164**	**15,164**
B.1 Purchases	-	-	-	-	-	-	-
B.2 Writebacks	-	-	-	-	-	-	-
B.3 Positive exchange rate differences	-	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	15,164	15,164
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Sales	-	-	-	-	-	-	-
C.2 impairment writedowns	-	-	-	-	-	-	-
C.3 Negative exchange rate differences	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	-	-
D. Closing balance	**-**	**-**	**-**	**-**	**-**	**15,164**	**15,164**

Row B.4 of the new table required by the 5th update of Bank of Italy Circular no. 262 reports inventories of property, plant and equipment that, as at 31 December 2017, were reported under the “Investment property” and “Other assets” items. These assets consist of land and buildings owned by the Group’s real estate companies.

Section 10 – Intangible assets – Item 100

10.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

Assets/Values	Total 31 Dec. 2018		Total 31 Dec. 2017	
	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 shareholders	X	-	X	-
A.2 Other intangible assets	**360,661**	**-**	**383,728**	**-**
A.2.1 Assets measured at cost:	360,661	-	383,728	-
a) Internally generated intangible assets	9,151	-	8,404	-
b) Other assets	351,510	-	375,324	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
TOTAL	**360,661**	**1,575,536**	**383,728**	**1,575,536**

The cost of intangible assets with definite 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
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Opening balance	**1,575,536**	**17,791**	**-**	**927,363**	**-**	**2,520,690**
A.1 Total net impairment writedowns	-	-9,387	-	-552,039	-	-561,426
A.2 Opening net balance	1,575,536	8,404	-	375,324	-	1,959,264
B. Increases	**-**	**3,835**	**-**	**63,156**	**-**	**66,991**
B.1 Purchases	-	-	-	63,156	-	63,156
B.2 Increases in internal intangible assets	X	3,835	-	-	-	3,835
B.3 Recoveries/writebacks	X	-	-	-	-	-
B.4 Fair value gains	-	-	-	-	-	-
- through Equity	X	-	-	-	-	-
- through profit and loss	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-3,088**	**-**	**-86,970**	**-**	**-90,058**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-3,088	-	-81,660	-	-84,748
- Amortization	X	-3,088	-	-81,660	-	-84,748
- Impairment writedowns:	-	-	-	-	-	-
+ Equity	X	-	-	-	-	-
+ Through profit and loss	-	-	-	-	-	-
C.3 Fair Value losses:	-	-	-	-	-	-
- in Equity	X	-	-	-	-	-
- in the Income Statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-5,310	-	-5,310
D. Closing net balance	**1,575,536**	**9,151**	**-**	**351,510**	**-**	**1,936,197**
D.1 Total net value adjustments	-	12,475	-	619,964	-	632,439
E. Closing gross balance	**1,575,536**	**21,626**	**-**	**971,474**	**-**	**2,568,636**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

10.3 INTANGIBLE ASSETS: OTHER INFORMATION

Impairment testing of intangible assets with finite useful life

At the end of 2018 it was verified that the value of each of the elements making up intangible assets, which were recognised within the scope of transactions made in 2007 and calculated as the present value of future cash flows, was still higher than the recognised value and specifically:

- for the component relating to loans to customers, the present value was calculated taking into account the rate of early repayment of mortgage loans between March 2008 and November 2018, the cost of credit (the 2009-2017 average) and the long-term taxation level;
- for the component relating to demand deposits, a progressive increase in volumes (and therefore of their stable component) was observed from the time of purchase;
- for the component relating to net fee and commission income, the present value of fee and commission income was recalculated taking account of the expected level of fee and commission income from “banking services”.

The analysis had a favourable outcome.

Therefore, the overall value of these intangible assets was found to be higher than the value recognised as at 31 December 2018 amounting to

- Crédit Agricole FriulAdria: euro 19,381 thousand;
- 180 Crédit Agricole Italia branches purchased in 2007: euro 37,501 thousand;
- 29 Crédit Agricole FriulAdria branches purchased in 2007: euro 3,541 thousand;
- for a total of euro 60,423 thousand.

At the end of 2018 it was verified that the value of each of the elements making up intangible assets, which were recognised within the scope of transactions made in 2011 and calculated as the present value of future cash flows, was still higher than the recognised value and specifically:

- for the component relating to demand deposits, volumes were essentially in line with the date of purchase and their measurement took into account the introduction of the Multiple ITR System;
- with regard to Net Fee and Commission Income, the changes in Wealth Management fee and commission income for Assets under Administration and Assets under Management for the 2011-2017 period and for and 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 recognised within the scope of the transactions made in 2011, was found to be higher than the value recognised as at 31 December 2018 amounting to:

- Crédit Agricole Carispezia: euro 14,358 thousand;
- 81 Crédit Agricole Italia branches purchased in 2011: euro 41,604 thousand;
- 15 Crédit Agricole FriulAdria branches purchased in 2011: euro 8,276 thousand;
- for a total of euro 64,238 thousand.

At the end of 2018, the value of each one of the components of the intangible assets recognised within the transactions finalized in 2017 was verified. Based on the evidence found on changes in intangible assets as recognised, 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 2018 equal to euro 75,692 thousand.

Impairment testing of goodwill

As required by the IASs/IFRSs, the goodwill resulting from the purchases of Crédit Agricole FriulAdria, of the 180 Crédit Agricole 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 Crédit Agricole Leasing Italia (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 2018 expected performance, a model has been used, which consists of two stages:

- for the first stage (2019-2023), the following forecasts have been used: the 2019 Budget available when the testing was performed, for 2020-2023, medium- and long-term financial forecasts;
- yhe 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 9.67% (vs. 9.07% used for the impairment test for the 2017 Annual Report and Financial Statements).

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

The components of the discount rate ke and the relating comparison with the parameters used in 2017 are reported below:

	2018	2017
Remuneration of capital (ke)	**9,67%**	**9,07%**
- of which risk-free rate	3,43%	3,60%
- of which Beta	1,2	1,2
- of which risk premium	5,20%	4,56%

With Beta yields being equal, the *risk-free* rate - calculated as the long-term average yield of the ten-year Italian Treasury Bonds (Italian acronym; BTP) - decreased, mainly subsequent to the gradual decrease in the average yield of government securities, and offset by far the increase in the risk premium that was calculated as the 10-year average of the risk premium in the Italian stock exchange.

For all CGUs (Retail/Private Banking and Mid-Corporate/Large-Corporate) the calculation produced a value in use equal to their respective book values.

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

- risk-free rate: variation *range* between the yield of 10Y Bunds in December 2018 (0.26%), the average yield in the last 10 years of the Italian Government bond 10Y BTP (3.43%);
- beta: variation *range* between the average Beta of a sample of medium-sized listed Italian Banks (1.14) and the C.A.sa figure (1.20);
- risk premium: variation range between long-term risk premium calculated for the Italian equity market (3.20% - Source: Aswath Damodaran, 2018) and the premium used (5.20%).

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

Lastly, it was verified at which discounting rate or at which long-term growth rate “g” the value in use becomes equal to the book value. This analysis showed that the book value is equal to the value in use only with a marked increase in the discounting rate ke (10.3% for the Retail/Private Banking CGU and 10.5% for the Mid-Corporate/Large-Corporate CGU). Finally, should the long-term growth rate “g” be taken to 0.20, the value in use of the Retail/Private Banking CGU would be equal to its book value, while the value in use of the Corporate Banking CGU would remain higher than its book value.

Section 11 – Tax Assets and Tax Liabilities – Item 110 of Assets and Item 60 of Liabilities

11.1 DEFERRED TAX ASSETS: BREAKDOWN

	31 Dec. 2018	31 Dec. 2017
14.1 Gross deferred tax assets	**1,325,938**	**1,140,417**
A1. Loans and receivables (including asset-backed securities)	359,227	407,017
A2. Other financial instruments	34,999	1,691
A3. Goodwill	336,178	341,953
A4. Long-term liabilities	-	12
A5. Property, plant and equipment	4,465	8,313
A6. Provisions for risks and charges	86,144	66,074
A.7 Tax losses	211,693	239,810
A.8 DTA for impairment losses on loans IFRS9 FTA - L.145/2018 (*)	201,604	-
A.9 Other	91,628	75,547
B. Offset against deferred tax liabilities	**-**	
C. Net deferred tax assets	**1,325,938**	**1,140,417**

(*) This item reports DTA for IFRS9-related impairment losses on loans generated by the related spreading pursuant to Italian Law 145/2018

As regards the recognition of DTAs, especially those relating to tax losses, the probability test was carried out and confirmed their full recoverability.

Specifically, based on the best possible estimate of profit or loss in future financial years and considering any known recoveries of the temporary differences that generated the recognition of DTAs/DTLs - including the effects of the 2019 Budget Law (Italian Law no. 145 of 30 December 2018), which has significantly increased the DTA amount, as it provides for deductibility of adjustments of loans resulting from the IFRS 9 adoption over ten years and has changed the time horizon for the recovery of other DTAs - that losses can reasonably be expected to be recovered over a short time horizon, which can be estimated in five year. Positive results have been obtained also assuming possible scenarios of harder stress (obviously reasonable ones) on future tax profits and losses.

It is pointed out that, as regards the tax losses/ACE surplus acquired within the merger of the Fellini Banks, in 2018 a specific tax ruling was applied for pursuant to Article 172 of the Italian Consolidated Act on Income Taxes (TUIR) and had a favourable outcome.

11.2 DEFERRED TAX LIABILITIES: BREAKDOWN

	31 Dec. 2018	31 Dec. 2017
A. Gross deferred tax liabilities:	**108,982**	**85,974**
A1. Capital gains spreading	5,316	8,459
A2. Goodwill	-	-
A3. Property, plant and equipment	-	13,879
A4. Financial Instruments	-	-
A5. Staff expenses	-	-
A6. Other	103,666	63,636
B. Offset against deferred tax assets	**-**	**-**
C. Net deferred tax liabilities	**108,982**	**85,974**

11.3 DEFERRED TAX ASSETS: ANNUAL CHANGES (WITH OFFSETTING ENTRY TO PROFIT AND LOSS)

	31 Dec. 2018	31.12.2017
1. Opening balance	**1,132,205**	**756,562**
2. Increases	**287,357**	**476,732**
2.1 Deferred tax assets recognised in the year	178,719	95,561
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) writebacks	-	-
d) other	178,719	95,561
2.2 New taxes or increases in tax rates	86	48
2.3 Other increases	108,553	381,123
3. Decreases	**155,202**	**112,977**
3.1 Deferred tax assets derecognised in the year	88,346	88,954
a) reversals	88,346	88,954
b) writedowns for supervening non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	66,856	24,023
a) conversion into tax credits pursuant to L. 214/2011	38,634	20,860
b) other	28,222	3,163
4. Closing balance	**1,264,361**	**1,120,317**

The increase in deferred tax assets recognised in the period resulted especially from the recognition of deferred tax assets for the future benefit of deductibility in the next financial years of expected losses on loans to customers recognised subsequent to the first-time adoption of IFRS9.

Subsequent to the approval of the 2019 Budget Law (Italian Law no. 145 of 30 December 2018), DTAs shall be deducted over ten financial years, rather than in one.

11.4 DEFERRED TAX ASSETS: CHANGES UNDER LAW 214/2011

	31 Dec. 2018	31.12.2017
1. Opening balance	**723,252**	**684,362**
2 Increases	**203**	**121,027**
3. Decreases	**38,637**	**82,137**
3.1 Reversals	-	61,273
3.2 Conversion into tax credits	38,634	20,860
a) from losses for the year	37,227	19,048
b) from tax losses	1,407	1,812
3.3 Other decreases	3	4
4. Closing balance	**684,818**	**723,252**

Deferred tax assets pursuant to Italian Law 214/2011 were also recognised in equity for an amount of euro 2,627 thousand.

Therefore, total deferred tax assets that can be converted into tax credits pursuant to Italian Law 214/2011 came to euro 687,445 thousand.

11.5 DEFERRED TAX LIABILITIES: ANNUAL CHANGES (WITH OFFSETTING ENTRY TO PROFIT AND LOSS)

	31 Dec. 2018	31 Dec. 2017
1. Opening balance	**71,821**	**76,270**
2. Increases	**47,233**	**13,783**
2.1 Deferred tax liabilities recognised in the period	6,129	4,390
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	6,129	4,390
2.2 New taxes or increases in tax rates	7	2
2.3 Other increases	41,097	9,391
3. Decreases	**11,218**	**11,854**
3.1 Deferred tax liabilities derecognised in the period	7,702	9,221
a) reversals	7,702	9,221
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	3,516	2,633
4. Closing balance	**107,836**	**78,199**

11.6 CHANGES IN DEFERRED TAX ASSETS (WITH OFSETTING ENTRY TO EQUITY)

	31 Dec. 2018	31 Dec. 2017
1. Opening balance	**20,008**	**11,870**
2. Increases	**44,013**	**17,559**
2.1 Deferred tax assets recognised in the year	42,351	701
a) referring to previous years	-	-
b) due to change in accounting policies	6,859	-
c) other	35,493	701
2.2 New taxes or increases in tax rates	1	-
2.3 Other increases	1,661	16,858
3 Decreases	**2,444**	**9,329**
3.1 Deferred tax assets derecognised in the year	924	6,270
a) reversals	924	6,270
b) writedowns for supervening non-recoverability	-	-
c) due to change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	1,520	3,059
4. Closing balance	**61,577**	**20,100**

11.7 CHANGES IN DEFERRED TAX LIABILITIES (WITH OFSETTING ENTRY TO EQUITY)

	31 Dec. 2018	31 Dec. 2017
1. Opening balance	**16,155**	**9,704**
2. Increases	**23**	**11,179**
2.1 Deferred tax liabilities recognised in the period	0	8,520
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	0	8,520
2.2 New taxes or increases in tax rates	3	2
2.3 Other increases	20	2,657
3. Decreases	**15,032**	**13,247**
3.1 Deferred tax liabilities derecognised in the period	4,305	12,383
a) reversals	4,305	12,383
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	10,727	864
4. Closing balance	**1,146**	**7,636**

Section 12 – Non-current assets held for sale and discontinued operations and associated liabilities – Item 120 of assets and item 70 of liabilities

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

	31 Dec. 2018	31 Dec. 2017
A. Non-current assets held for sale		
A.1 Financial assets	-	98
A.2 Equity investments	-	-
A.3 Property, plant and equipment	-	-
of which: obtained through the enforcement of guarantees received	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
TOTAL (A)	**-**	**98**
of which measured at cost	-	*98*
of which measured at fair value -Level 1	-	-
of which measured at fair value -Level 2	-	-
of which measured at fair value -Level 3	-	-
B. Discontinued operations		
B.1. Financial assets measured at fair value through profit or loss	-	-
- financial assets held for trading		
- financial assets designated at fair value		
- other financial assets mandatorily measured at fair value		
B.2. Financial assets measured at fair value through other comprehensive income	-	-
B.3. Financial assets measured at amortized cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
of which: obtained through the enforcement of guarantees received		
B.6 Intangible assets	-	-
B.7 Other assets	-	-
TOTAL (B)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value -Level 1	-	-
of which measured at fair value -Level 2	-	-
of which measured at fair value -Level 3	-	-
C. Liabilities associated with assets held for sale and discontinued operations		
C.1 Due and payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
TOTAL (C)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value -Level 1	-	-
of which measured at fair value -Level 2	-	-
of which measured at fair value -Level 3	-	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortized cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions/allowances	-	-
D.5 Other liabilities	-	-
TOTAL (D)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value -Level 1	-	-
of which measured at fair value -Level 2	-	-
of which measured at fair value -Level 3	-	-

Section 13 - Other assets - Item 130

13.1 OTHER ASSETS: BREAKDOWN

	31 Dec. 2018	31 Dec. 2017
Sundry debits in process	42,924	43,862
Revenue stamps and other instruments	5	9,238
Items being processed	102,346	112,105
Accrued income not allocated to other items	5,004	36,497
Prepaid expenses not allocated to other items	8,608	116,860
Protested bills and cheques	2,791	2,127
Leasehold improvements	17,439	22,029
Tax advances paid on behalf of third parties	57,052	101,940
Sundry items	226,864	249,416
TOTAL	**463,033**	**694,075**

LIABILITIES

Section 1 - Financial liabilities measured at amortized cost - Item 10

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF LOANS TO BANKS

Type of transactions/Values	31 Dec. 2018				31 Dec. 2017			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Loans to central banks	**4,400,000**	**X**	**X**	**X**	**5,550,019**	**X**	**X**	**X**
2. Loans to banks	**1,629,653**	**X**	**X**	**X**	**1,509,094**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	324,541	X	X	X	241,811	X	X	X
2.2 Time deposits	99,494	X	X	X	218,116	X	X	X
2.3 Loans	1,184,472	X	X	X	1,044,644	X	X	X
2.3.1 Repurchase agreements for funding purposes	-	X	X	X	-	X	X	X
2.3.2 Other	1,184,472	X	X	X	1,044,644	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Other due and payables	21,146	X	X	X	4,523	X	X	X
TOTAL	**6,029,653**	**-**	**6,029,653**	**-**	**7,059,113**	**-**	**7,059,113**	**-**

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

The "Due to central banks" item reports targeted long term refinancing operations (TLTRO II) with the European Central Bank.

1.2 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN OF DEPOSITS FROM CUSTOMERS

Type of transactions/Values	31 Dec. 2018				31 Dec. 2017			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	39,298,072	X	X	X	38,773,963	X	X	X
2. Time deposits	165,598	X	X	X	1,510,750	X	X	X
3. Loans	13,662	X	X	X	36,583	X	X	X
3.1 Repurchase agreements for funding purposes	-	X	X	X	9,670	X	X	X
3.2 Other	13,662	X	X	X	26,913	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Other due and payables	221,581	X	X	X	254,069	X	X	X
TOTAL	**39,698,913**	**-**	**9,162,294**	**30,536,619**	**40,575,365**	**-**	**34,697,691**	**5,877,674**

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

1.3 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF SECURITIES ISSUED

Type of transactions/Values	31 Dec. 2018				31 Dec. 2017			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	7.659.084	-	7.496.921	-	8.923.242	-	9.098.702	34
1.1 Structured	9.625	-	9.597	-	23.353	-	23.353	-
1.2 other	7.649.459	-	7.487.324	-	8.899.889	-	9.075.349	34
2. Other securities	801.173	-	-	801.173	792.511	-	1.227	792.755
2.1 Structured	-	-	-	-	-	-	-	-
2.2 other	801.173	-	-	801.173	792.511	-	1.227	792.755
TOTAL	**8.460.257**	**-**	**7.496.921**	**801.173**	**9.715.753**	**-**	**9.099.929**	**792.789**

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

1.4 DETAILS OF SUBORDINATED LIABILITIES/SECURITIES

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in the rep. currency	Book value
Subordinated loan	25 July 2014	25 July 2019	in one payment at maturity	3.50% fixed-rate	euro	25,000	25,529
Subordinated loan	25 March 2015	25 March 2020	in one payment at maturity	6M Euribor +485bps	euro	10,000	10,345
Subordinated loan	20 April 2015	20 April 2021	in one payment at maturity	2.75% fixed-rate	euro	14,250	15,093
Subordinated loan	31 March 2015	31 March 2021	in one payment at maturity	6M Euribor +300bps	euro	6,000	6,311
Subordinated loan	25 March 2015	25 March 2021	in one payment at maturity	3% fixed-rate	euro	55,000	57,950
Subordinated loan	16 Feb. 2013	16 Oct. 2020	in one payment at maturity	4.25% fixed-rate	euro	25,000	26,651
Subordinated loan	15 Sept. 2014	15 Sept. 2019	in one payment at maturity	5.25% fixed-rate	euro	23,000	24,163
Subordinated loan	18 Nov. 2014	18 Nov. 2021	in one payment at maturity	3.20% fixed-rate	euro	30,000	31,869
Subordinated loan	31 March 2010	31 March 2020	in one payment at maturity	3.8% fixed-rate	euro	12,902	13,403
Subordinated loan	12 Jan. 2015	12 Jan. 2020	in one payment at maturity	2.50% fixed-rate	euro	9,998	10,269
Subordinated loan	20 Aug. 2013	20 Aug. 2019	in 5 annual instalments of the same amount as of 20 Aug. 2015	3.75% fixed-rate	euro	3,682	1,686
Subordinated loan	24 Feb. 2014	24 Feb. 2020	in 5 annual instalments of the same amount as of 24 Feb. 2016	3% fixed-rate	euro	4,883	2,880
Subordinated loan	10 April 2014	10 April 2020	in 5 annual instalments of the same amount as of 10 April 2016	2.60% fixed-rate	euro	1,742	1,040
Subordinated loan	20 Sept. 2010	20 Sept. 2022	in one payment at maturity	3.75% fixed-rate	euro	8,875	9,706
Subordinated loan	31 May 2010	30 Nov. 2023	in one payment at maturity	al 4% fixed-rate	euro	4,050	4,587
Subordinated deposit	28 June 2017	28 June 2027	at maturity	3M Euribor + 219 b.p.	euro	250,000	250,039
Subordinated deposit	11 Dec. 2017	11 Dec. 2027	at maturity	3M Euribor + 162 b.p.	euro	400,000	400,290
Subordinated deposit	14 Dec. 2018	14 Dec. 2028	at maturity	3M Euribor + 571 b.p.	euro	100,000	100,255

1.5 DETAILS OF STRUCTURED LIABILITIES

As at 31 December 2018, there were no structured liabilities

1.6 FINANCE LEASE PAYABLES

Loans to customers for finance leases totalled euro 1,135 thousand and referred to the residual amount due for principal under two property contracts signed with leasing companies.

Section 2 - Financial liabilities held for trading - Item 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN BY TYPE

Transaction type/Values	Total 31 Dec. 2018					Total 31 Dec. 2017				
	Nominal or notional amount	Fair value			Fair value*	Nominal or notional amount	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1. Loans to banks	-	-	-	-	-	-	-	-	-	-
2. Loans 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		-	73,515	-			-	75,820	-	
1.1 Held for trading	X	-	73,473	-	X	X	-	75,820	-	X
1.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	42	-	X	X	-	-	-	X
2 Credit Derivatives		-	-	-			-	-	-	
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
TOTAL B	**X**	**-**	**73,515**	**-**	**X**	**X**	**-**	**75,820**	**-**	**X**
TOTAL (A+B)	**X**	**-**	**73,515**	**-**	**X**	**X**	**-**	**75,820**	**-**	**X**

Key: NV = Nominal value or notional value L1 = Level 1 L2 = Level 2 L3 = Level 3

FV* = fair value calculated excluding changes in value resulting from an alteration in the issuer's credit rating after the date of issue.e

2.2 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": SUBORDINATED LIABILITIES

At the end of 2018, there were no subordinated liabilities held for trading.

2.3 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": STRUCTURED LIABILITIES

At the end of 2018, there were no structured liabilities held for trading.

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

3.1 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE: BREAKDOWN BY TYPE

Transaction type/Values	Total 31 Dec. 2018					Total 31 Dec. 2017				
	Nominal or notional amount	Fair value			Fair value*	Nominal or notional amount	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
1. Loans to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees issued	-	X	X	X	X	-	X	X	X	X
2. Due to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees issued	-	X	X	X	X	-	X	X	X	X
3. Debt securities	**-**	**-**	**-**	**-**	**-**	**63,216**	**-**	**67,201**	**-**	**-**
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	63,216	-	67,201	-	X
TOTAL	**-**	**-**	**-**	**-**	**-**	**63,216**	**-**	**67,201**	**-**	**-**

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.

3.2 BREAKDOWN OF "FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE": SUBORDINATED LIABILITIES

As at 31 December 2018, there were no subordinated liabilities designated at fair value.

Section 4- Hedging derivatives - Item 40

4.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF CONTRACT AND UNDERLYING ASSET

	NV 31 Dec. 2018	Fair value 31 Dec. 2018			NV 31 Dec. 2017	Fair value 31 Dec. 2017		
		L1	L2	L3		L1	L2	L3
A. Financial Derivatives	**8,596,910**	**-**	**216,347**	**348,202**	**9,939,976**	**-**	**279,748**	**247,927**
1) Fair value	8,596,910	-	216,347	348,202	9,939,976	-	279,748	247,927
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
TOTAL	**8,596,910**	**-**	**216,347**	**348,202**	**9,939,976**	**-**	**279,748**	**247,927**

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

Operazioni/Tipo	Fair value							Cash flow		Foreign investment
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	equities and stock indices	foreign exchange rates and gold	credit risk	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	**313,069**	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortized cost	**169,982**	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**483,051**	-	-	-	-	-	-	-	-	-
1. Financial liabilities	**81,498**	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**81,498**	-	-	-	-	-	-	-	-	-
1. Expected transactions	X	X	X	X		X	X	-	X	X
2. Portfolio of financial as-sets and liabilities	X	X	X	X		X	-	X	-	-

The “Hedging Derivatives” item referring to financial liabilities measured at amortized cost consisted of euro 6,059 thousand for hedging mortgage loans and euro 163,924 thousand for hedging securities measured at amortized cost.

The “Hedging Derivatives” item referring to financial liabilities consisted of euro 71,657 thousand for hedging own bonds issued and euro 9,841 thousand for hedging deposits.

Section 5 – Fair value change of financial liabilities in macro-hedge portfolios – Item 50

5.1 CHANGE IN VALUE OF HEDGED LIABILITIES

Change in value of hedged liabilitie	31 Dec. 2018	31 Dec. 2017
1. Increase in fair value of hedged financial liabilities	370,840	373,754
2. Decrease in fair value of hedged financial liabilities	-8,878	-
TOTAL	**361,962**	**373,754**

Section 6 – Tax Liabilities – Item 60

Please, see Section 11 - Assets.

Section 7 - Liabilities associated with non-current assets held for sale and discontinued operations - Item 70

Please, see Section 12 - Assets.

Section 8 - Other liabilities – Item 80

8.1 OTHER LIABILITIES: BREAKDOWN

	31 Dec. 2018	31.12.2017
Trade payables	254,949	215,938
Amounts due to third parties	334,704	259,006
Credit transfers ordered and being processed	40,362	92,360
Amounts payable to tax authorities on behalf of third parties	82,304	85,803
Advances on loans to mature	378	581
Adjustments for illiquid items	296,430	9,393
Personnel expenses	77,017	72,853
Uncapitalized accrued expenses	8,358	25,,015
Deferred income not allocated to other items	30,314	103,570
Risk hedging for guarantees issued and commitments		35,276
Sundry	268,050	227,044
TOTAL	**1,392,866**	**1,126,839**

As at 31 December 2018, the "Other liabilities" item no longer reported risk hedging for guarantees issued and commitments, which amounted to euro 35,276 thousand, as this component was reclassified to the "Provisions for risks and charges" item, sub-item a) "commitments and guarantees issued, subsequent to the IFRS 9 adoption and in accordance with Bank of Italy Circular no. 262 (5th update).

The "Sundry" sub-item reports, among other things, the commitments undertaken by Crédit Agricole Italia to the former shareholders of the Fellini Banks.

Section 9 - Employee severance benefits - Item 90

9.1 EMPLOYEE SEVERANCE BENEFITS: CHANGES FOR THE YEAR

	31 Dec. 2018	31.12.2017
A. Opening balance	**151,130**	**146,378**
B. Increases	**3,755**	**21,771**
B.1 Provision for the period	1,328	1,321
B.2 Other changes	2,427	20,450
C. Decreases	**19,163**	**17,019**
C.1 Severance payments	18,878	16,332
C.2 Other changes	285	687
D. Closing balance	**135,722**	**151,130**
TOTAL	**135,722**	**151,130**

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 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.

Seniority bonus

The employees of Crédit Agricole Italia, Crédit Agricole Carispezia and Crédit Agricole Group Solutions are awarded the right to an additional amount when certain seniority levels are reached and this amount is calculated based on their remuneration at the time when such right becomes effective

0.5% supplement to employee severance benefits

For the employees of Crédit Agricole Italia and Crédit Agricole Carispezia, who were formerly employees of the Intesa San Paolo Group (hereinafter referred to as "formerly Intesa") and were already on staff on 31 December 1990, upon employment termination, an amount supplementing their severance benefits is granted, equal to the 0.5% contribution paid to the Italian National Social Security Institute (INPS) by the workers.

Such supplementary amount accrues on a monthly basis and is revalued in accordance with the ISTAT (the Italian National Institute of Statistics) index for the revaluation of employee severance benefits.

Additional 2.75% revaluation of employee severance benefits

For the employees of Crédit Agricole Italia, Crédit Agricole Carispezia 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 2018 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. 2018	**151.130**
a Service cost	48
b Interest cost	1,281
c Transfer in/out	2
d.1 Actuarial gains/losses from changes in financial assumptions	1,731
d.2 Actuarial gains/losses from changes in demographic assumptions	12
d.3 Actuarial gains/losses from demographic experience	396
e. Payments provided for by the Plan	-18,878
Actuarial value of the obligation as at 31 Dec. 2018	**135,722**

Information on 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 3.25% was used;

a.3 the annual probability of request for advances on the accrued severance benefits was calculated based on the Group's experience and was assumed as equal to an average annual rate of 3.00%;

a.4 retirement is assumed upon meeting the first requirement to qualify for pension.

b) ECONOMIC TECHNICAL BASES:

b.1 to calculate the Present Value of the various plans, in compliance with the instructions given by the Parent Company Crédit Agricole SA, the rate used was IBOXX AA (duration 7-10 years) of 0.58%;

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 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 employees of the Group's Companies, based on the interpolation and smoothing of the distribution of pays by seniority and based on the national and company collective bargaining agreements;

b.4 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. 2018		
Central assumption	+50 bps	-50 bps
135,722	131,158	1402502

Inflation rate

Actuarial value of the obligation as at 31 Dec. 2018		
Central assumption	+50 bps	-50 bps
135,722	138,659	132,937

Turnover rate

Actuarial value of the obligation as at 31 Dec. 2018		
Central assumption	+100 bps	-100 bps
135,722	134,994	136,510

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	31 Dec. 2018	31 Dec. 2017
1. Provisions for credit risk relative to commitments and financial guarantees issued	37,254	
2. Provisions for other commitments and guarantees issued	-	
3. Company pension plans	38,273	40,191
4. Other provisions for risks and charges	313,085	393,762
4.1 legal and tax-related disputes	73,439	75,305
4.2 personnel expenses	143,179	156,961
4.3 other	96,467	16,496
TOTAL	**388,612**	**433,953**

Subsequent to the adoption of the IFRS 9 and in accordance with the 5th update of the Bank of Italy Circular no. 262, the “Provisions for risks and charges” item includes also the “Commitments and guarantees issued” sub-item, which, as at 31 December 2017, was reported under the “Other liabilities” item for an amount of euro 35,276 million.

10.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES FOR THE YEAR

	Allowances on other commitments and other guarantees issue	Post-employment benefits	Other allowances for risks and charges	Total
A. Opening balance		**40,191**	**393,761**	**433,952**
B. Increases	**-**	**2,080**	**71,993**	**74,073**
B.1 Provision for the period	-	-	68,136	68,136
B.2 Changes due to the time value of money	-	394	7	401
B.3 Changes due to discount rate charges	-	-	2	2
B.4 Other changes	-	1,686	3,848	5,534
C. Decreases	**-**	**3,998**	**152,669**	**156,667**
C.1 Use in the year	-	3,951	98,228	102,179
C.2 Changes due to discount rate charges	-	18	-	18
C.3 Other changes	-	29	54,441	54,470
D. Closing balance	**-**	**38,273**	**313,085**	**351,358**

10.3 PROVISIONS FOR CREDIT RISK RELATIVE TO COMMITMENTS AND FINANCIAL GUARANTEES ISSUED

	Credit risk allowances for commitments and financial guarantees given			
	First stage	Second stage	Third stage	Total
Commitments to disburse funds	1,987	5,490	45	7,522
Financial guarantees issued	3,181	4,143	22,408	29,732
TOTAL	**5,168**	**9,633**	**22,453**	**37,254**

10.4 PROVISIONS FOR OTHER COMMITMENTS AND GUARANTEES ISSUED

As at 31 December 2018, there were no provisions for other commitments and guarantees issued.

10.5 DEFINED BENEFIT COMPANY PENSION FUNDS

Information on the characteristics of defined-benefit plans and risks associated with them

Through its Defied-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 2018, 291 people were the beneficiaries of the Pension Plans (136 women and 155 men).

2. Changes for the year in defined-benefit net liabilities (assets) and in rights to repayment from the plan

The statement of reconciliation for 2018 is given below:

Actuarial value of the obligation as at 1 Jan. 2018	**40,191**
a Service cost	-
b Interest cost	394
d.1 Actuarial gains/losses from changes in financial assumptions	-18
d.2 Actuarial gains/losses from changes in demographic assumptions	3,602
d.3 Actuarial gains/losses from demographic experience	-1,946
e. Payments provided for by the Plan	-3,951
Actuarial value of the obligation as at 31 Dec. 2018	**38,273**

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, including:

- mortality;
- probability to have a family;
- performance of the actual purchasing power of money.

The main economic and demographic assumptions used for the plan measurement are given below:

- annual probability of exclusion due to death of employees not on staff were calculated based on 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.

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. 2018		
Central assumption	+50 bps	-50 bps
38,273	37,511	40,597

Mortality rate

Actuarial value of the obligation as at 31 Dec. 2018		
Central assumption	+50 bps	-50 bps
38,273	35,768	43,182

6. Multi-employer plans

This point does not apply because no one of the plans is a Multi-employer plan.

7. Defined-benefit plans that share risks between various entities under common control

This point does not apply because no one of the plans under examination is a plan that shares risks between various entities under common control.

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 2018 and the remaining portion of those allocated in 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.

A dispute is pending on registration taxes with the *Agenzia delle Entrate*, the Italian Inland Revenue Service. The *Agenzia delle Entrate* has reclassified the transfers of branches from Intesa Sanpaolo to Crédit Agricole 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 40 million, plus interest. On this dispute, favourable decisions were issued by the competent Courts of second instance, against which the *Agenzia delle Entrate* filed appeal with the Italian Court of Cassation. Also in the light of the opinions, obtained at the beginning of these disputes, from leading Law Firms, as well as in the light of the favourable Court decisions issued, no provisions were allocated for this dispute.

In 2014, a dispute started, again on registration taxes and based on the same grounds, regarding a similar transaction carried out in 2011, once again with the Intesa Sanpaolo Group. This dispute entails a request to pay taxes, on the three transfers made, for approximately euro 1.5 million, euro 2.2 million and euro 9.9 million, plus interest, respectively.

In the first half of 2017, having regard to the two disputes concerning the transfer of Carifirenze (euro 1.5 Mln) and the transfer of FriulAdria (euro 2.2 Mln), favourable judgements were issued by the competent courts of second instance, against which the *Agenzia delle Entrate* filed appeal with the Italian Court of Cassation; on the third dispute concerning the transfer of ISP (euro 9.9 Mln), in 2018 a favourable judgement was issued by the competent court of second instance, for which the terms to file appeal have not yet ended.

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.

Although the Group firmly believes and reasserts that its doings were fully lawful, it will assess, for risk mitigation purposes only and in agreement with all the parties involved, whether to exercise, totally or in part and by the set deadline (May 2019), the option provided for by Italian Decree Law 119/2018 that introduced tax amnesty measures including the possibility to settle some tax disputes by paying lower taxes and no penalties and interest.

To this end, Crédit Agricole Italia allocated a provision of euro 1.35 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 above Law, the Italian State provided a contribution to tax payers that took out floating-rate mortgage loans for the purchase of their home amounting to the interest paid by the same tax payers in 2009 at a rate of over 4%. This amount was to be credited directly by the lending banks that would recover it through a tax account receivable.

The Italian Inland Revenue Service has refused to acknowledge the portion of this tax account receivable relating to amounts actually credited to customers in 2010 and issued the relevant tax payment form. Consequently, Crédit Agricole 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.

In December 2017, Sliders Srl – a fully-owned subsidiary of Crédit Agricole Italia subsequent to a complex transaction for the turnaround of the RDB Group – was served a verification notice, regarding the determination of the subsidiary’s income and claiming payment of taxes for euro 4.1 Mln plus euro 3.7 Mln worth of penalties and interest. Firmly believing and reasserting that the subsidiary's doings was fully lawful, as Sliders has and had nothing to gain or to lose from the transaction, an agreements was made, only for risk mitigation purposes, settling the dispute with a final payment of approximately euro 1.1 million.

Subsequent to the merger of the Banks acquired at the end of 2017, 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 fee and commission income components were not duly taxed, as regards the Italian Regional Tax on Productive Activities (IRAP), due to their misclassification in the financial statements. The total amount claimed is euro 0.585 million. 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 fiscal years. The related cost is going to be fully covered by a provision transferred by the merged bank within the merger.

In the second half of 2016, Crédit Agricole FriulAdria was subject to a general audit by the *Agenzia delle Entrate* regarding the 2013 tax year, which was resumed in 2017, and different Reports of Verification were subsequently served. In the first half of 2018, several meetings were held with the *Agenzia delle Entrate*, based on which the Bank decided to settle the claims made in the two reports of verification, paying the claimed taxes plus penalties and interest that came to a total cost for the Company of about euro 350 thousand.

Moreover, in October 2017, a verification notice was served concerning the 2012 fiscal year and claiming the ineligibility of some expenses for the defence of employees within criminal proceedings. The claimed amount is approximately euro 30 thousand. 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.

In the second half of 2016, Crédit Agricole Carispezia was subject to a general audit by the *Agenzia delle Entrate* regarding the 2013 tax year, and a Report of Verification (Italian acronym PVC) was served at the end of 2016. For these claims, the Bank decided to use the measures for tax dispute settlement on most of them, whereby the net cost paid was euro 0.2 million.

Conversely, the Bank decided not to accept the claims made by the Italian Inland Revenue Agency as regards a taxable base component for the Italian Regional Tax on Productive Activities (IRAP). In December 2018, the Bank was served a verification notice on this matter, claiming taxes, penalties and interest for a total of euro 0.177 million. As it believes to have solid defence grounds, the related dispute was started without any specific provision recognised.

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, as regards the 2013 fiscal year, a verification notice was served claiming a total amount of approximately euro 350 thousand, 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. Firmly believing that it has solid defence grounds, in order to verify the possibility to settle the dispute with lower payments, the Company applied for verification with acceptance and the related reply is still pending. Also in the light of specific opinions given by leading law firms, no provision was allocated for this dispute.

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, consists of 962,672,153 ordinary shares.

No treasury shares were held as at the reporting date.

13.2 SHARE CAPITAL – PARENT COMPANY'S NUMBER OF SHARES: CHANGES FOR THE YEAR

Items/Types	Ordinary	Other
A. Shares - opening balance	**934,837,845**	**-**
- fully paid in	934,837,845	-
- partially paid in	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	934,837,845	-
B. Increases	**27,834,308**	**-**
B.1 New issues	27,834,308	-
- for a consideration:	26,678,874	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	108	-
- other	26,678,766	-
- free of charge:	1,155,434	-
- to employees	-	-
- to Directors	-	-
- other	1,155,434	-
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	**962,672,153**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares - closing balance	962,672,153	-
- fully paid in	962,672,153	-
- 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 Parent Company's share capital , fully paid in, consists of 962,672,153 ordinary shares, with a nominal value of euro 1 each.

13.4 RETAINED EARNINGS RESERVES: OTHER INFORMATION

Items/Types Amounts	31 Dec. 2018
Legal reserve	175,814
Reserves provided for by the Articles of Association	957,730
Reserve pursuant to Art. 13 of It. Leg. D. 124/93 (*)	314
Other reserves	146,767
TOTAL	**1,280,626**
Reserve from share-based payments (**)	3,627
Other reserves	-18,136
TOTAL RESERVES	**1,266,117**

(*) Reserve pursuant to Article 13 of Italian Legislative Decree 124/93 to take advantage of tax relief on the portions of Employee severance benefits to be used for supplementary pension schemes
(**) Reserve recognizing the increase in equity resulting from payments based on shares of the controlling company Crédit Agricole SA. made to employees and Directors

13.6 Other Information

The increase in the "Equity instruments" item referred to the issue of Additional Tier 1 instruments for a total of euro 350 million; therefore, as at 31 December 2018, this item came to euro 715 million.

Section 14 - Non-controlling interests - Item 190

14.1 BREAKDOWN OF ITEM 190 "NON-CONTROLLING INTERESTS"

Name	31 Dec. 2018
Equity investments in consolidated companies with significant minority interests	
1. Crédit Agricole FriulAdria S.p.A.	125,297
2. Crédit Agricole Carispezia S.p.A.	43,923
3. Crédit Agricole Leasing Italia S.r.l.	14,004
4. Crédit Agricole Group Solutions S.c.p.A.	385
5. Agricola Le Cicogne S.r.l.	1,872
Other equity investments	14
TOTAL	**185,496**

14.2 EQUITY INSTRUMENTS: BREAKDOWN AND CHANGES FOR THE YEAR

Items/Components	31 Dec. 2018	31 Dec. 2017
1. Capital	64,976	100,356
2. Share premium reserve	98,636	135,025
3. Reserves	10,467	12,726
4. (Treasury Shares)	-933	-963
5. Valuation reserves	-5,805	695
6. Equity instruments	-	-
7. Profit (loss) for the period attributable to minority interests	18,155	11,640
TOTAL	**185,496**	**259,479**

Other information

1. COMMITMENTS AND FINANCIAL GUARANTEES ISSUED

	Nominal value on commitments and financial guarantees issued			Total 31 Dec. 2018
	First stage	Second stage	Third stage	
Commitments to disburse funds	**1,098,378**	**60,937**	**59,625**	**1,218,940**
a) Central Banks	-	-	-	-
b) Public administration bodies	9,590	-	-	9,590
c) Banks	12,651	-	-	12,651
d) Other financial companies	166,093	1,395	1,209	168,697
e) non-financial corporations	794,383	30,948	57,526	882,857
f) Households	115,661	28,594	890	145,145
Financial guarantees issued to	**2,131,974**	**118,971**	**75,936**	**2,326,881**
a) Central Banks	-	-	-	-
b) Public administration bodies	6,568	152	200	6,920
c) Banks	360,676	2,013	-	362,689
d) Other financial companies	31,654	22,747	212	54,613
e) non-financial corporations	1,639,237	71,328	74,587	1,785,152
f) Households	93,839	22,731	937	117,507

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down Guarantees issued and commitments is reported below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

Transactions	31 Dec. 2017
1) Financial guarantees issued	882,729
a) Banks	224,141
b) customers	658,588
2) Commercial guarantees issued	1,356,840
a) Banks	75,272
b) customers	1,281,568
3) Irrevocable commitments to disburse funds	1,190,885
a) Banks	9,072
i) certain use	6,964
ii) uncertain use	2,108
b) customers	1,181,813
i) certain use	87,293
ii) uncertain use	1,094,520
4) Commitments underlying credit derivatives: protection sales	-
5) Assets pledged as collaterals for third-party debts	3,257
6) Other commitments	169,553
TOTAL	**3,603,264**

3. ASSETS PLEDGED AS COLLATERAL FOR OWN LIABILITIES AND COMMITMENTS

Portfolios	31 Dec. 2018
1. Financial assets measured at fair value through profit or loss	-
2 Financial assets measured at fair value through other comprehensive income	161,250
3. Financial assets measured at amortized cost	7,379,302
4. Property, Plant and Equipment	-
- of which: property, plant and equipment inventories	-

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down Assets pledged as collateral for own liabilities and commitments is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

Portfolios	31 Dec. 2017
1. Financial assets held for trading	-
2. Financial assets measured at fair value	-
3. Financial assets available for sale	545,407
4. Investments held to maturity	2,214,296
5. Loans to banks	-
6. Loans to customers	5,835,792
7 Property, Plant and Equipment	-

4. INFORMATION OF OPERATING LEASES

OPERATING LEASES – LESSEE – IAS 17 ART. 35 – LETTER A/B

Future minimum payments due under non-cancellable leases	< 1 year	1<> 5 years	> 5 years	indefinite maturity	Total
Land	-	-	-	-	-
Buildings	-	-	-	-	-
Furniture	-	-	-	-	-
Electronic systems- Hardware	-	-	-	-	-
Electronic systems - other	-	-	-	-	-
Other - motor-vehicles (including cars)	1,303	1,506	-	-	2,808
Other - office machinery	12	3	-	-	15
Other - telephones (landline and mobile)	-	-	-	-	-
Other - other	-	-	-	-	-
Software	-	-	-	-	-
TOTAL	**1,315**	**1,509**	**-**	**-**	**2,823**

OPERATING LEASES – LESSEE – IAS 17 ART. 35 – LETTER C

Expenses for the period	Minimum payments	Potential lease payments	Payments from subleases	Total
Land	-	-	-	-
Buildings	-	-	-	-
Furniture	-	-	-	-
Electronic systems- Hardware	-	-	-	-
Electronic systems - other	-	-	-	-
Other - motor-vehicles (including cars)	1,632	-	-	1,632
Other - office machinery	181	-	-	181
Other - telephones (landline and mobile)	-	-	-	-
Other - other	-	-	-	-
Software	-	-	-	-
TOTAL	**1,813**	**-**	**-**	**1,813**

OPERATING LEASES – LESSEE – IAS 17 ART. 35 – LETTER D

Description of contracts	Criteria for determining lease payments	Renewal or purchase options	Indexing clauses
Other - motor-vehicles (including cars)	Fee determined based on make, model, engine size and accessories of each vehicle and including additional services	The customer shall have the right to request an extension of the contract, with prior acceptance by the renting Company, at a fee that the renting Company may revise	-
Other - office machinery	Photocopiers: fixed monthly fee for each machine	Photocopiers: purchase option at the end of the lease	-

6. ASSET MANAGEMENT AND TRADING ON BEHALF OF THIRD PARTIES

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	**1,048,793**
a) individual	1,048,793
b) collective	-
3. Custody and administration of securities	**66,023,192**
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	29,277,568
1. Securities issued by the reporting Bank	1,727,127
2. other securities	27,550,441
c) third-party securities deposited with third parties	28,454,163
d) proprietary securities deposited with third parties	8,291,461
4. Other transactions	**-**

7. FINANCIAL ASSETS SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

Technical forms	Gross amount of financial assets (a)	Gross amount of financial liabilities offset (b)	Net amount of financial assets recognised (c=a-b)	Related amounts not subject to offsetting		Net amount (f=c-d-e) 31 Dec. 2018	Net amount 31 Dec. 2017
				Financial instruments (d)	Cash deposits as collateral (e)		
1. Derivatives	-641,092	-	-641,092	-583,304	-28,445	-29,343	-28,737
2. Repurchase agreements	-	-	-	-	-	-	-232
3 Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31 DEC. 2018	**-641,092**	**-**	**-641,092**	**-583,304**	**-28,445**	**-29,343**	**X**
TOTAL 31 DEC. 2017	**-676,298**	**-**	**-676,298**	**-575,094**	**-72,235**	**-28,969**	**-28,969**

8. FINANCIAL LIABILITIES 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 recognised (c=a-b)	Related amounts not subject to offsetting		Net amount (f=c-d-e) 31 Dec. 2018	Net amount 31 Dec. 2017
				Financial instruments (d)	Cash deposits as collateral (e)		
1. Derivatives	638,063	-	638,063	583,305	-	54,758	56,342
2. Repurchase agreements	-	-	-	-	-	-	39
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31 DEC. 2018	**638,063**	**-**	**638,063**	**583,305**	**-**	**54,758**	**X**
TOTAL 31 DEC. 2017	**612,498**	**-**	**612,498**	**552,541**	**3,576**	**56,381**	**56,381**

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 Dec. 2018
1. Financial assets measured at fair value through profit or loss	601	-	-	601
1.1 Financial assets held for trading	601	-	-	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	58,003	-	X	58,003
3. Financial assets measured at amortized cost	64,279	846,616	-	910,895
3.1 Loans to banks	10	3,670	X	3,680
3.2 Loans to customers	64,269	842,946	X	907,215
4. Hedging derivatives	X	X	(68,811)	(68,811)
5. Other assets	X	X	3,462	3,462
6. Financial liabilities	X	X	X	23,582
TOTAL	**122,883**	**846,616**	**(65,349)**	**927,732**
of which: interest income on impaired financial assets	-	61,189	-	61,189

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.

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down Interest and similar income is reported below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

1.1 INTEREST AND SIMILAR INCOME: BREAKDOWN

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31 Dec. 2017
1. Financial assets held for trading	8	-	-	8
2. Financial assets measured at fair value	-	-	-	-
3 Financial assets available for sale	92,573	-	-	92,573
4. Investments held to maturity	12,138	-	-	12,138
5. Loans to banks	4	11,810	-	11,814
6. Loans to customers	5,440	694,585	1,473	701,498
7. Hedging derivatives	X	X	181,606	181,606
8 Other assets	X	X	16,546	16,546
TOTAL	**110,163**	**706,395**	**199,625**	**1,016,183**

The 5th update of Circular 262 requires that differentials on hedging derivatives, related to single items/technical forms, be reported under interest income or interest expense in accordance with the algebraic sign of interest (income or expense) of the single item/technical form that derivative contracts change.

Before, the balance of all differentials on hedging derivatives was reported, in accordance with the related algebraic sign, under interest income or interest expenses.

1.2 INTEREST AND SIMILAR INCOME: OTHER INFORMATION

1.2.1 INTEREST INCOME FROM FOREIGN-CURRENCY FINANCIAL ASSETS

As at 31 December 2018, interest income on foreign-currency financial assets came to euro 6,586 thousand

1.2.2 INTEREST INCOME FROM FINANCE LEASES

As at 31 December 2018, interest income on finance leases came to euro 37,014 thousand.

1.3 INTEREST AND SIMILAR EXPENSES: BREAKDOWN

Items/Technical forms	Loans and payables	Securities	Other transactions	Total 31 Dec. 2018	Total 31 Dec. 2017
1. Financial liabilities measured at amortized cost	(61,829)	(95,764)	-	(157,593)	(143,728)
1.1 Loans to central banks	(13,455)	X	X	(13,455)	(5,219)
1.2 Loans to banks	(7,470)	X	X	(7,470)	(15,216)
1.3 Loans to customers	(40,904)	X	X	(40,904)	(32,174)
1.4 Debt securities issued	X	(95,764)	X	(95,764)	(91,119)
2 Financial liabilities held for trading	-	-	-	-	-
3 Financial liabilities designated at fair value	-	-	-	-	(73)
4. Other liabilities and provisions	X	X	(839)	(839)	(6,112)
5. Hedging derivatives	X	X	234,610	234,610	(47)
6. Financial assets	X	X	X	(10,628)	-
TOTAL	**(61,829)**	**(95,764)**	**233,771**	**65,550**	**(149,960)**

The 5th update of Circular 262 requires that differentials on hedging derivatives, related to single items/technical forms, be reported under interest income or interest expense in accordance with the algebraic sign of interest (income or expense) of the single item/technical form that derivative contracts change.

Before, the balance of all differentials on hedging derivatives was reported, in accordance with the related algebraic sign, under interest income or interest expenses.

1.4 INTEREST AND SIMILAR EXPENSES: OTHER INFORMATION

1.4.1 INTEREST EXPENSES ON FOREIGN-CURRENCY LIABILITIES

As at 31 December 2018, interest expense on foreign-currency financial liabilities came to euro 2,077 thousand.

1.4.2 INTEREST EXPENSES ON FINANCE LEASES

As at 31 December 2018, interest expenses on finance leases came to euro 14 thousand.

1.5 SPREADS ON HEDGING TRANSACTIONS

Items	31 Dec. 2018	31 Dec. 2017
A. Positive differentials on hedging transactions	317,038	338,534
B. Negative differentials on hedging transactions	(151,237)	(156,928)
C. Balance (A-B)	**165,801**	**181,606**

Section 2 – Fees and Commissions – Items 40 and 50

2.1 FEE AND COMMISSION INCOME: BREAKDOWN

Type of services/Values	Total 31 Dec. 2018	Total 31 Dec. 2017
a) guarantees issued	20,317	16,538
b) credit derivatives	-	-
c) management, intermediation and advisory services:	551,789	450,885
1. trading in financial instruments	-	8
2. foreign exchange trading	4,656	4,091
3. asset management	12,083	12,666
4. custody and administration of securities	5,089	4,612
5. depositary bank services	-	-
6. placement of securities	188,057	168,967
7. receipt and transmission of orders	10,640	8,667
8. advisory services	31,137	326
8.1 on investments	216	47
8.2 on financial structure	30,921	279
9. distribution of third-party services	300,127	251,548
9.1. asset management	-	461
9.1.1. individual	-	8
9.1.2. collective	-	453
9.2 insurance products	264,010	222,917
9.3. other products	36,117	28,170
d) collection and payment services	59,062	47,153
e) servicing activities for securitizations	-	11
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) management of multilateral trading facilities	-	-
i) keeping and managing current accounts	209,436	173,431
j) other services	91,127	93,799
TOTAL	**931,731**	**781,817**

Sub-item “j) other services” mainly reports fees and commissions on debit and credit cards and on e-money services amounting to euro 48,412 thousand and fees and commissions for loans granted amounting to euro 6,083 thousand.

2.3 FEE AND COMMISSION EXPENSES: BREAKDOWN

Channels/Values	Total 31 Dec. 2018	Total 31 Dec. 2017
a) guarantees received	(11,752)	(12,481)
b) credit derivatives	-	-
c) management and intermediation services:	(8,233)	(7,775)
1. trading in financial instruments	(1,851)	(1,738)
2. foreign exchange trading	-	-
3. asset management:	(2,360)	(2,300)
3.1 own portfolio	-	-
3.2 third-party portfolio	(2,360)	(2,300)
4. custody and administration of securities	(1,483)	(1,144)
5. placement of financial instruments	(2,539)	(2,593)
6. off-premises distribution of financial instruments, products and services	-	-
d) collection and payment services	(3,599)	(2,601)
e) other services	(16,600)	(24,899)
TOTAL	**(40,184)**	**(47,756)**

Sub-item “j) other services” mainly reports fees and commissions on debit and credit cards and e-money services amounting to euro 9,355 thousand.

Section 3 – Dividends and similar income - Item 70

3.1 DIVIDENDS AND SIMILAR INCOME: BREAKDOWN

Items/Income	31 Dec. 2018	
	Dividends	Similar income
A. Financial assets held for trading	262	66
B. Other financial assets mandatorily measured at fair value	111	-
C. Financial assets measured at fair value through other comprehensive income	12,175	-
D. Equity investments	-	-
TOTAL	**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 9,157 thousand).

Income referred to the units of O.I.C.R. collective investment undertakings held.

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 stating Dividends and similar income is reported below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

3.1 DIVIDENDS AND SIMILAR INCOME: BREAKDOWN

Items/Income	31 Dec. 2017	
	Dividends	Income from O.I.C.R. units of collective investment undertakings
A. Financial assets held for trading	2	-
B. Financial assets available for sale	8,836	-
C. Financial assets measured at fair value	-	-
D. Equity investments	-	X
TOTAL	**8,839**	**-**

Section 4 - Net profit (loss) from trading activities – Item 80

4.1 NET PROFIT (LOSS) 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	**175**	**1,113**	**(2,463)**	**(556)**	**(1,731)**
1.1 Debt securities	48	567	(147)	(74)	394
1.2 Equity securities	-	64	-	(4)	60
1.3 Units of O.I.C.R. collective investment undertakings	127	16	(2,316)	(297)	(2,470)
1.4 Loans	-	-	-	-	-
1.5 Other	-	466	-	(181)	285
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Due and payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3 Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**5,634**
4. Derivatives	**50,371**	**43,205**	**(49,956)**	**(37,074)**	**6,808**
4.1 Financial derivatives:	50,371	43,205	(49,956)	(37,074)	6,808
- On debt securities and interest rates	50,329	42,575	(49,318)	(36,467)	7,119
- On equity securities and equity indices	-	-	(600)	-	(600)
- On foreign exchange and gold	X	X	X	X	262
- Other	42	630	(38)	(607)	27
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	X	X	X	X	-
TOTAL	**50,546**	**44,318**	**(52,419)**	**(37,630)**	**10,711**

Section 5 - Net profits (losses) on hedging activities - Item 90

5.1 NET PROFIT (LOSS) ON HEDGING: BREAKDOWN

Income components/Values	31 Dec. 2018	31 Dec. 2017
A. Income on:		
A.1 Fair value hedging derivatives	265,796	418,606
A.2 Hedged financial assets (fair value)	64,314	31,816
A.3 Hedged financial liabilities (fair value)	89,387	244,434
A.4 Cash flow hedging financial derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**419,497**	**694,856**
B. Expenses on:		
B.1 Fair value hedging derivatives	(229,797)	(654,075)
B.2 Hedged financial assets (fair value)	(38,269)	(46,425)
B.3 Hedged financial liabilities (fair value)	(162,263)	(6,948)
B.4 Cash flow hedging financial derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses on hedging activities (B)	**(430,329)**	**(707,448)**
C. Net profit (loss) on hedging (A - B)	**(10,832)**	**(12,592)**
of which: fair value adjustments in hedge accounting on net positions	-	-

Section 6 - Profits (losses) on disposal/repurchase - Item 100

6.1 PROFITS (LOSSES) ON DISPOSAL/REPURCHASE: BREAKDOWN

Items/Income components	31 Dec. 2018		
	Profits	Losses	Net profit (loss)
A. Financial Assets			
1. Financial assets measured at amortized cost	83,107	(77,663)	5,444
1.1 Loans to banks	366	-	366
1.2 Loans to customers	82,741	(77,663)	5,078
2 Financial assets measured at fair value through other comprehensive income	30,220	(3,792)	26,428
2.1 Debt securities	30,220	(3,792)	26,428
2.2 Loans	-	-	-
Total assets (A)	**113,327**	**(81,455)**	**31,872**
B. Financial liabilities measured at amortized cost			
1. Loans to banks	-	-	-
2. Loans to customers	-	-	-
3 Debt securities issued	814	(735)	79
Total liabilities (B)	**814**	**(735)**	**79**

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 stating Profits (Losses) on disposal/repurchase is reported below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

6.1 PROFITS (LOSSES) ON DISPOSAL/REPURCHASE: BREAKDOWN

Items/Income components	31 Dec. 2017		
	Profits	Losses	Net profit (loss)
Financial assets			
1. Loans to banks	-	-	-
2 Loans to customers	95,480	(110,740)	(15,260)
3. Financial assets available for sale	85,073	(41,945)	43,128
3.1 Debt securities	80,154	(41,807)	38,347
3.2 Equity securities	3,471	(127)	3,344
3.3 Units of collective investment undertakings	1,448	(11)	1,437
3.4 Loans	-	-	-
4. Investments held to maturity	-	-	-
Total assets	**180,553**	**(152,685)**	**27,868**
Financial liabilities			
1. Loans to banks	-	-	-
2. Loans to customers	-	-	-
3. Debt securities issued	206	(1,758)	(1,552)
Total liabilities	**206**	**(1,758)**	**(1,552)**

Section 7 - Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss - Item 110

7.2 NET CHANGES IN OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS: BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS PER MANDATORY REQUIREMENTS

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	**238**	**2,940**	**-**	**(2)**	**3,176**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	238	2,940	-	(2)	3,176
1.3 Units of collective investment undertakings	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: exchange rate differences	**X**	**X**	**X**	**X**	**-**
TOTAL	**238**	**2,940**	**-**	**(2)**	**3,176**

Section 8 - Net impairment (losses)/reversals for credit risk - Item 130

8.1 NET IMPAIRMENT (LOSSES)/REVERSAL ON FINANCIAL ASSETS MEASURED AT AMORTISED COST: BREAKDOWN

Transactions/income components	Losses (1)			Recoveries (2)		Total 31 Dec. 2018
	First and second stage	Third stage		First and second stage	Third stage	
		Write-off	Other			
A. Loans to banks	**(1,269)**	**-**	**-**	**800**	**-**	**(469)**
- Loans	(1,269)	-	-	800	-	(469)
- Debt securities	-	-	-	-	-	-
of which: POCI	-	-	-	-	-	-
B. Loans to customers	**(151,979)**	**(32,631)**	**(322,563)**	**167,524**	**88,752**	**(250,897)**
- Loans	(150,692)	(32,631)	(322,563)	167,356	88,752	(249,778)
- Debt securities	(1,287)	-	-	168	-	(1,119)
of which: POCI	-	-	-	-	-	-
TOTAL	**(153,248)**	**(32,631)**	**(322,563)**	**168,324**	**88,752**	**(251,366)**

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down the “Losses/recoveries on impairment of loans” item is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

8.1 NET LOSSES ON IMPAIRMENT OF LOANS: BREAKDOWN

Transactions/Income	Losses			Recoveries				Total 31 Dec. 2017
	Specific		Portfolio	Specific		Portfolio		
	Writeoffs	Other		A	B	A	B	
A. Loans to banks	-	-	-	-	-	-	-	-
- loans	-	-	-	-	-	-	-	-
- debt securities	-	-	-	-	-	-	-	-
B. Loans to customers	(31,947)	(325,254)	(46,597)	55,753	75,462	-	59,847	(212,736)
Non-performing loans purchased	-	(1)	-	-	-	-	-	(1)
- loans	-	-	X	-	-	X	X	-
- debt securities	-	(1)	X	-	-	X	X	(1)
Other loans and receivables	(31,947)	(325,253)	(46,597)	55,753	75,462	-	59,847	(212,735)
- loans	(31,947)	(325,253)	(46,597)	55,753	75,441	-	59,847	(212,756)
- debt securities	-	-	-	-	21	-	-	21
C. Total	**(31,947)**	**(325,254)**	**(46,597)**	**55,753**	**75,462**	**-**	**59,847**	**(212,736)**

Key A = from interest B = Other recoveries/writebacks

8.2 NET IMPAIRMENT (LOSSES)/REVERSAL ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWNE

Transactions/income components	Losses (1)			Recoveries (2)		Total 31 Dec. 2018
	First and second stage	Third stage		First and second stage	Third stage	
		Write-off	Other			
A. Debt securities	**(1,141)**	**-**	**-**	**193**	**-**	**(948)**
B. Loans	-	**-**	**-**	-	-	**-**
- to customers	-	-	-	-	-	-
- to banks	-	-	-	-	-	-
of which: POCI	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**(1,141)**	**-**	**-**	**193**	**-**	**(948)**

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down the items Net losses on impairment of financial assets available for sale and Net losses on impairment of other financial transactions is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

8.2 NET LOSSES ON IMPAIRMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE: BREAKDOWN

Transactions/income components	Losses		Recoveries		Total 31 Dec. 2017
	Specific		Specific		
	Writeoffs	Other	A	B	
A. Debt securities	-	(312)	-	-	(312)
B. Equity securities	(50)	(28,029)	X	X	(28,079)
C. Units of collective investment undertakings	-	(1,788)	X	6,835	5,047
D. Loans to banks	-	-	-	-	-
E. Loans to customers	-	-	-	-	-
F. TOTAL	**(50)**	**(30,129)**	**-**	**6,835**	**(23,344)**

Key A = from interest B = Other recoveries/writebacks

8.4 NET LOSSES ON IMPAIRMENT OF OTHER FINANCIAL TRANSACTIONS: BREAKDOWN

Transactions/Income	Losses		Portfolio	Recoveries				Total 31 Dec. 2017
	Specific					Portfolio		
	Writeoffs	Other		A	B	A	B	
A. Guarantees issued	-	(4,080)	(1,198)	135	2,548	-	1,139	(1,456)
B. Credit derivatives	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-
E. Total	**-**	**(4,080)**	**(1,198)**	**135**	**2,548**	**-**	**1,139**	**(1,456)**

Key A = from interest B = Other recoveries/writebacks

Section 9 - Profits/losses on contract modifications without derecognition - Item 140

9.1 MODIFICATION GAINS/(LOSSES)

Losses on contract modifications without derecognition came to euro 1,037 thousand.

Section 12 - Administrative expenses – Item 190

12.1 PERSONNEL EXPENSES: BREAKDOWN

Type of expenses/Values	31 Dec. 2018	31 Dec. 2017
1) employees	(736,731)	(605,007)
a) wages and salaries	(517,196)	(435,190)
b) social security contributions	(136,580)	(115,927)
c) severance benefits	(831)	(601)
d) pensions	-	-
e) allocation to employee severance benefit provision	(1,328)	(1,321)
f) allocation to provision for post-employment and similar obligations:	(409)	(174)
- defined-contribution	(15)	-
- defined-benefit	(394)	(174)
g) payment to external supplementary pension schemes:	(45,593)	(37,197)
- defined-contribution	(45,593)	(37,197)
- defined-benefit	-	-
h) costs from share-based payment agreements	-	-
i) other employee benefits	(34,338)	(14,597)
2) Other staff	(2,403)	(2,793)
3) Directors and Auditors	(3,345)	(2,972)
4) Retired personnel	-	-
TOTAL	**(742,023)**	**(610,772)**

12.2 AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY

	31 Dec. 2018
Employees:	
a) Senior Managers	114
b) Junior Managers	4,323
c) other employees	4,948
Other staff	67

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 DEFINED-BENEFIT COMPANY PENSION PLANS COSTS AND REVENUES

Type of expenses/Values	31 Dec. 2018	31 Dec. 2017
Provision for the year	-	-
Changes due to passing of time	(394)	(170)

12.4 OTHER EMPLOYEE BENEFITS

These mainly consisted of the cost for the voluntary redundancy plan (Solidarity Fund) allocated in 2018, voluntary redundancy incentives and non-occupational policies, as well as to the contribution to the bank employees' cultural and recreational club.

12.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

Type of expense/Values	31 Dec. 2018	31 Dec. 2017
Direct and indirect taxes	(121,199)	(101,773)
IT services, data processing	(57,311)	(44,747)
Facility rental and management	(48,726)	(48,407)
Expenses for advisory services	(31,082)	(40,834)
Mail, telegraph and delivery services	(8,797)	(5,925)
Telephone and data transmission	(7,822)	(6,708)
Legal expenses	(10,662)	(8,825)
Property maintenance	(7,337)	(3,242)
Furnishing and plant maintenance	(16,181)	(14,903)
Marketing, promotion and entertainment expenses	(17,201)	(13,092)
Transport services	(43,230)	(28,647)
Lighting, heating and air conditioning	(13,151)	(12,497)
Printed material, stationery and consumables	(7,227)	(5,269)
Staff training expenses and reimbursements	(12,086)	(10,537)
Security services	(3,203)	(2,493)
Information and title searches	(5,813)	(5,156)
Insurance premiums	(182,677)	(163,447)
Cleaning services	(7,643)	(5,435)
Leasing of other property, plant and equipment	(11,254)	(8,548)
Management of archives and document handling	(5,332)	(1,910)
Reimbursement of costs to Group companies	(28,298)	(25,189)
Contributions Resolution Funds (SRF) and DGS	(21,952)	(34,046)
Sundry expenses	(45,379)	(11,054)
TOTAL	**(713,563)**	**(602,684)**

Section 13 - Net provisions for risks and charges - Item 200

13.1 NET PROVISIONS FOR CREDIT RISK RELATIVE TO COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED: BREAKDOWN

Net recoveries on credit risk for commitments and guarantees came to euro 4,592 thousand.

13.2 NET PROVISIONS FOR OTHER COMMITMENTS AND OTHER GUARANTEES ISSUED: BREAKDOWN

As at 31 December 2018, there were no provisions for other commitments and guarantees issued.

13.3 OTHER NET PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

The "Net provisions for other risks and charges" item had a positive mismatch of euro 18,786 thousand and reports provisioning for risks on revocatory actions and litigation totalling euro 9,055 thousand and reversals of provisions for euro 27,841 thousand subsequent to the renegotiation of some supply and cooperation contracts with suppliers and product companies that used to works with the Fellini Banks.

Section 14 - Net adjustments/recoveries of property, plant and equipment – Item 210

14.1 NET VALUE ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN

Assets/Income components	Amortization (a)	Impairment adjustments (b)	Writebacks (c)	Net profit (loss) (a + b - c)
A. Property, plant and equipment:				
A.1 Owned	(43,973)	(293)	-	(44,266)
- Operating assets	(42,901)	-	-	(42,901)
- Investment property	(1,072)	(293)	-	(1,365)
- Inventories	X	-	-	-
A.2 Acquired under finance leases	-	-	-	-
- Operating assets	-	-	-	-
- Investment property	-	-	-	-
TOTAL	**(43,973)**	**(293)**	**-**	**(44,266)**

Section 15 – Net adjustments to/recoveries on intangible assets – Item 220

15.1 NET ADJUSTMENTS TO INTANGIBLE ASSETS: BREAKDOWN

Assets/Income components	Amortization (a)	Impairment losses (b)	Recoveries/ writebacks (c)	Net profit (loss) (a + b - c)
A. Intangible assets				
A.1 Owned	(84,748)	-	-	(84,748)
- Internally generated	(3,623)	-	-	(3,623)
- Other	(81,125)	-	-	(81,125)
A.2 Acquired under finance leases	**-**	**-**	**-**	**-**
TOTAL	**(84,748)**	**-**	**-**	**(84,748)**

Section 16 - Other operating expenses and income - Item 230

16.1 OTHER OPERATING EXPENSES: BREAKDOWN

Type of expense/Values	31 Dec. 2018	31 Dec. 2017
Expenses for finance lease transactions	(5,532)	(6,851)
Amortization of expenditure for leasehold improvements	(10,047)	(10,071)
Other expenses	(14,300)	(14,924)
TOTAL	**(29,879)**	**(31,846)**

16.2 OTHER OPERATING INCOME: BREAKDOWN

Type of expense/Values	31 Dec. 2018	31 Dec. 2017
Rental income and recovered expenses on real estate	2,951	1,535
Income from finance lease contracts	2,180	1,604
Recovery of taxes and levies	103,966	89,369
Recovery of insurance costs	182,464	164,865
Recovery of other expenses	10,299	11,213
Service recovery	2,848	1,800
Other income	19,517	38,301
TOTAL	**324,225**	**308,687**

Section 17 – Profits (losses) on equity investments – Item 250

17.1 PROFITS (LOSSES) ON EQUITY INVESTMENTS: BREAKDOWN

Income component/Values	31 Dec. 2018	31 Dec. 2017
1) Joint arrangements		
A. Income	8,839	8,091
1. Revaluations	-	-
2 Profits on disposal	10	-
3. Recoveries/writebacks	-	-
4. Other income	8,829	8,091
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 on impairment/writebacks	-	-
4. Other income	-	-
B. Expenses	-	(43)
1. Writedowns	-	-
2. Losses on impairment	-	-
3. Losses on disposal	-	-
4. Other expenses	-	(43)
NET PROFIT (LOSS)	**8,530**	**8,048**

Section 20 - Profits (losses) on disposal of investments - Item 280

20.1 PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS: BREAKDOWN

Income component/Values	31 Dec. 2018	31 Dec. 2017
A. Real estate	121	404
- Profits on disposal	175	433
- Losses on disposal	(54)	(29)
B. Other assets	(3)	(55)
- Profits on disposal	6	2
- Losses on disposal	(9)	(57)
NET PROFIT (LOSS)	**118**	**349**

Section 21 - Tax (expense)/recovery on income from continuing operations: breakdown - Item 300

21.1 TAX (EXPENSE)/RECOVERY ON INCOME FROM CONTINUING OPERATIONS: BREAKDOWN

Income components/Values	31 Dec. 2018	31 Dec. 2017
1. Current taxes (-)	(75,821)	(57,717)
2. Changes in current taxes for previous years (+/-)	1,845	(50)
3. Reduction in current taxes for the year (+)	317	3,746
3.bis Reduction in current taxes for the period for tax credits pursuant to Italian Law No. 214/2011 (+)	1,407	1,812
4 Change in deferred tax assets (+/-)	(63,174)	(59,343)
5. Change in deferred tax liabilities (+/-)	6,609	6,549
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(128,817)	(105,003)

Current taxes and deferred tax liabilities came to euro 128.8 million, increasing by euro 23.8 million vs. the previous year.

The tax burden for 2018 came close to 30.5%, markedly increasing vs. 13% in the previous year. In this regard, it is to be pointed out that, the 2017 financial statements reported badwill for approximately euro 493 million, i.e. a non-taxable component pursuant to Article 172 of the Italian Consolidated Act on Income Taxes (TUIR). Net of badwill, the tax burden for the previous year would have been 33.5%. The decrease resulted mainly from non-recurring components including the release of excess provisions for taxes allocated in previous years for approximately euro 3 million, as well as from the increase in deductions for Allowance for Corporate Equity (ACE) subsequent to the absorption of the Banks in 2018, which, however, shall no longer apply as of 2019.

21.2 RECONCILIATION OF THEORETICAL TO ACTUAL TAX CHARGE

	31 Dec. 2018
Net profit before taxes on continuing operations	420,870
Net profit on discontinuing operations (before taxes)	-
Theoretical taxable income	**420,870**

	31 Dec. 2018
Income tax – Theoretical tax liability	(116,025)
- effect of expenses that are fully or partially non-deductible and income that is fully or partially non-taxable	25,205
- consolidation effect	(15,655)
Income tax – actual tax liability	(106,475)
- provision for taxes to recognise the higher value of Bank of Italy shares It. Law 147/2013	2,807
- use of excess tax provisioning in previous years	220
- reversal of deferred tax liabilities for previous years to be recognised in equity	
- effect of deduction and tax credits	
IRAP - Theoretical tax liability	(23,207)
- effect of income/expenses that do not contribute to the taxable base	(84,148)
- effect of other changes	84,561
- consolidation effect	(2,633)
- effect of change in the average tax rate	58
IRAP - Actual tax liability	(25,369)
Other taxes	-
Actual tax liability recognised	(128,817)

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”

Type of expense/Values	31 Dec. 2018	31 Dec. 2017
Equity investments in consolidated companies with significant minority interests		
1. Crédit Agricole FriulAdria S.p.A.	10,503	8,408
2. Crédit Agricole Carispezia S.p.A.	6,588	5,594
3. Crédit Agricole Leasing Italia S.r.l.	1,055	(1,153)
4 Crédit Agricole Group Solutions S.c.p.A.	-	-
5. Cassa di Risparmio di Cesena S.p.A.	-	(185)
6 Cassa di Risparmio di Rimini S.p.A.	-	(344)
7. Cassa di Risparmio di San Miniato S.p.A.	-	(680)
Other equity investments	9	-
TOTAL	**18,155**	**11,640**

Profit attributable to minority interests came to euro 18,155 thousand, mainly regarding Crédit Agricole FriulAdria S.p.A., Crédit Agricole Carispezia S.p.A. and Crédit Agricole Leasing Italia S.r.l.

Section 25 - Earnings per share

25.1 AVERAGE NUMBER OF DILUTED ORDINARY SHARES

The Parent Company’s share capital consists of 962,672,153 ordinary shares, with a nominal value of euro 1 each.

PART D - COMPREHENSIVE INCOME

BREAKDOWN STATEMENT OF COMPREHENSIVE INCOME

Item	31 Dec. 2018
10. Net Profit (Loss) for the period	**292,053**
Other income components not reclassified to profit or loss	**(5,065)**
20. Equity securities designated at fair value through other comprehensive income	(3,117)
a) Changes in fair value	(516)
b) Transfers to other equity components (equity securities derecognised)	(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 derecognised)	-
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	(2,930)
80. Non-current assets held for sale and discontinued operations	-
90. Share of Valuation Reserves on equity investments measured using the equity method	-
100. Tax income related to other income components whitout reversal to profit or loss	982
Other income components reclassified to profit or loss	**(123,513)**
110. Hedging of investments in foreign operations:	-
a) changes in fair value	-
b) reclassification to profit or loss	-
c) other changes	-
120. Exchange rate 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: fair value adjustments on 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	(174,701)
a) changes in fair value	(152,829)
b) reclassification to profit or loss	(21,872)
- adjustments for credit risk	948
- profit/losses on disposal	(22,820)
c) other changes	-
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 income components reclassified to profit or loss	51,188
190. Total other income components	**(128,578)**
200. Comprehensive income (10+190)	**163,475**
210. Consolidated comprehensive income attributable to Minority Interests	(11,654)
200. Consolidated comprehensive income pertaining to the Parent Company	**151,821**

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 that must be taken into account when analyzing the table.

Even though not fully comparable because of the entry into force of the IFRS 9, the Breakdown Statement of Comprehensive Income as at 31 December 2017 is reported below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

BREAKDOWN STATEMENT OF COMPREHENSIVE INCOME

Items	Gross amount	Income tax	Net amount
10. Net Profit (Loss) for the period	**X**	**X**	**701,880**
Other income components with not reclassified to profit or loss			
20. Property, Plant and Equipment	-	-	-
30. Intangible assets	-	-	-
40. Defined-benefit plans	(1,152)	358	(794)
50. Non-current assets held for sale	-	-	-
60. Share of valuation reserve on equity investments measured with the equity method:	(1,170)	-	(1,170)
Other income components reclassified to profit or loss			
70. Hedging of investments in foreign operations:	-	-	-
a) changes in fair value	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
80 Exchange rate differences:	-	-	-
a) changes in value	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
90. Cash flow hedges:	-	-	-
a) changes in fair value	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
100. Financial assets available for sale:	(3,871)	(527)	(4,398)
a) changes in fair value	(1,279)	(11,401)	(12,680)
b) reclassification to profit or loss	(2,592)	10,874	8,282
- impairment losses	30,006	405	30,411
- profit/losses on disposal	(32,598)	10,469	(22,129)
c) other changes	-	-	-
110. Non-current assets held for sale	-	-	-
a) changes in fair value	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
120. Share of valuation reserve on equity investments accounted for by equity method:	1,125	-	1,125
a) changes in fair value	-	-	-
b) reclassification to profit or loss	-	-	-
- impairment losses	-	-	-
- profit/losses on disposal	-	-	-
c) other changes	1,125	-	1,125
130. Total other income components	(5,068)	(169)	(5,237)
140. Comprehensive income (10+130)	**(5,068)**	**(169)**	**696,643**
150. Consolidated comprehensive income attributable to Minority Interests	-	-	(11,448)
160. Consolidated comprehensive income pertaining to the Parent Company	**(5,068)**	**(169)**	**685,195**

PART E – INFORMATION ON RISKS AND RELATIVE HEDGING POLICIES

Section 1 - Risks of accounting consolidation

QUANTITATIVE DISCLOSURES

A. Credit quality

A.1 Performing and non-performing exposures: amounts, value adjustments, changes, 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	Other non-performing exposures	Performing exposures	Total
1. Financial assets measured at amortized cost	633,242	1,078,914	38,048	-	52,788,177	54,538,381
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,013,042	3,013,042
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets being divested	-	-	-	-	-	-
TOTAL 31 DEC. 2018	**633,242**	**1,078,914**	**38,048**	**-**	**55,801,219**	**57,551,423**

All financial assets are classified by credit quality with the exception of equity securities and units of collective investment undertakings.

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross and net values)

Portfolio/quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total value adjustments	Net exposure	Total partial write-offs*	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortized cost	3,681,414	1,931,210	1,750,204	14,854	53,070,209	282,032	52,788,177	54,538,381
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,015,937	2,895	3,013,042	3,013,042
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets compulsorily carried ad fair value	-	-	-	-	X	X	-	-
5. Financial assets being divested	-	-	-	-	-	-	-	-
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**

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 the credit quality of exposures classified in the portfolio of financial assets held for trading (securities and derivatives) and hedging derivatives (not reported in the table above):

Portfolios/quality	Assets of evidently low credit quality		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	1,150	1,105	71,060
2. Hedging derivatives	-	-	575,331
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

No information as at 31 December 2018 is to be reported.

B.2 Structured entities not consolidated in the accounts

No information as at 31 December 2018 is to be reported.

B.2.1. Structured entities consolidated for prudential purposes

No information as at 31 December 2018 is to be reported.

B.2.2. Other structures entities

No information as at 31 December 2018 is to be reported.

Section 2 - Prudential consolidation risks

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 down its Risk Appetite Framework consistently with the guidelines and with the strategic plan of the Parent Company Crédit Agricole S.A.

This framework entails a set of limits and indicators that are provided for by the Group Risk Strategy, on a yearly basis. Then, these limits are submitted to the Boards of Directors of the Parent Company and of the single Entities of the Group for their approval.

The Risk Strategy has the objective to provide for and steer credit risk, operational risk, market and financial risks.

In order to constantly ensure effective risk measurement and effective integration of risk management in the Group's governance and operations, as well as dissemination and sharing of risk culture, the Group's organization includes, on a permanent and fully structured basis, specific Committees and Interdepartmental Working Groups, the members of which are the reference roles of all relevant corporate Departments

To be noted are the Risks and Internal Control Committee and the ALM Committee, which, within their different Risk scopes (Credit Risk, Operational Risk, Financial Risk and Compliance Risk) are responsible for designing and formalizing risk management policies, for structuring and assigning tasks and responsibilities to corporate bodies and departments, for monitoring risk trends and steering the relevant action plans, consistently with the Group's risk appetite and with the guidelines issued by the Parent Company Crédit Agricole and adopted by the Board of Directors.

Going downstream in the organization, important drivers for the dissemination of risk culture are provided by:

- the Operational Risk Manager (ORM), a key role for activity and support, within the reference perimeter, on the identification of operational risks and processing of the relevant practices;
- preparation of 2.1 controls, which directly involves the relevant structures in defining the scopes to be monitored;
- scenario analysis and RSA (Risk Self-Assessment, with subsequent implementation of risk mapping), which directly involve the relevant structures in identifying risk and their possible consequences;
- management support on the outsourcing of important operating functions;
- specific training.

RISK APPETITE FRAMEWORK

The Crédit Agricole Italia Banking Group has set down its Risk Appetite Framework - "RAF" at the Board of Directors meeting held on 27 March 2018. 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 2018, 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 the thresholds and the mapping of material risks, 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). This document sets forth the Risk Management and Governance process and the roles played by the Group's bodies engaged in management and control functions. 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 2018, the Group revised its process for the identification of material risks, based on the system received from the Controlling Company Crédit Agricole S.A. and consistently with the information given in the ICAAP document and in the Internal Control Annual Report (ICAR).

The Risk Appetite of the Group expresses the risk level that the Group is willing to take for every type of risk. The Group's risk appetite has been determined 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;
- keeping exposure to market risk to a minimum level;
- strict oversight on exposure to operational risk;
- a system of controls aimed at controlling non-compliance risk (identified and monitored);
- careful measurement of risk-weighted assets;
- integrated management of the Group's assets and liabilities.

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

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

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

Moreover, the Group's risk appetite is also expressed by the management of qualitative risks, concerning the Group's strategy and operations, especially based on the Company's will to pursue sustainable development and effective management of risks. The Group has implemented a set of operational limits that are laid down in its Risk Strategy and have become an integral part of the RAF. These indicators allow better classification and monitoring of the risks taken, ensuring pervasiveness of the RAF model .

Finally, in 2018, 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.

A main feature of 2018 was the progressive merger by absorption into Crédit Agricole Italia of the three Cesena, Rimini and San Miniato Savings Banks, subsequent to their acquisition finalized at the end of 2017. This entailed the extension of the Parent Company's model for the management

INTERNAL CONTROL SYSTEM

In accordance with the applicable regulations in force and with the guidelines issued by the Parent Company Crédit Agricole S.A., the internal control system of the Crédit Agricole Italia Banking Group is structured so as to ensure, when fully operating, detection, measurement, verification and control of risks associated with its corporate operations.

In general, the internal control system is implemented with two modes of control, permanent and periodic; the control structure consists of three different levels and is implemented based on the French legislation and on CA.s.a. guidelines:

Control type	Control level		Structures involved	Control frequency
Permanent Control	1st Degree		employees, Information Systems, involved in the start-up or validation of the transaction	Constant
	2nd Degree	1st Level	employees other than those that started the transaction	
		2nd Level	- Central Compliance Department - Risk Management and Permanent Controls Department - Validation Unit within the Risk Management and Permanent Controls Department	
Periodic control	3rd Degree		Internal Audit Department	Periodic

Consistently with the guidelines issued by the Parent Company Crédit Agricole SA, the Permanent Controls System is part of the wider scope of review of the Banks' operations, in the light of the Supervisory regulations, to ensure full capital soundness.

Permanent control is structured as follows:

- first-degree controls: carried out at inception of any transaction and during its validation, by the staff of the Organizational Unit where the transaction started or by the automated systems processing transactions;
- second-degree controls
  - first-level controls: employees other than those who started the transaction and authorised to carry out operational activities (for example, back office);
  - second-level controls: employees exclusively engaged in specialist last-level permanent control (e.g. risk monitoring, verification of adequacy and effectiveness of permanent controls): Compliance Department, Risk Management and Permanent Controls Department, Validation Unit.

Periodic control (called "third-degree control") refers to specific auditing of all activities (including permanent control and non-compliance control) by the Audit unit, based on both remote and on-site inspections provided for by an audit plan.

The internal control tool adopted by the Crédit Agricole Italia Banking Group results from a process involving:

- the definition of the scope of control and the areas of responsibility of the different players appointed;
- the identification of the main risk zones, based on risk mapping;
- the implementation of the procedures to classify operating activities, decision-making powers and controls;
- the exercise of permanent controls at the different degrees and levels provided for, monitoring correct implementation of the procedures and detection of any early warnings and non-performing instances;
- the exercise of periodic control by the Internal Audit Department;
- the implementation of a specific system for reporting to the corporate bodies and the top management engaged in governance and control functions.

The configuration of the internal control system is shared and formalized in the entire Group through the internal regulation system.

The organization of the Crédit Agricole Italia Banking Group includes three main structures that are engaged in control functions and are independent; within their scope of action and in accordance with their functions, these structures ensure constant control on all corporate operations and on the risks generated by such operations:

- the Risk Management and Permanent Controls Department (who includes the Validation Unit) and the Compliance Department, which are responsible for second degree – second level controls;
- the Internal Audit Department that is responsible for third-degree controls.

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

THE RISK MANAGEMENT AND PERMANENT CONTROLS FUNCTION

In 2018 the Risk Management and Permanent Controls Department was engaged in the main projects listed below:

- support to the migration on the Group's systems of the three Banks acquired at the end of 2017 and extension of the risk management and control system to the three new Banks;
- full operation of the National Calculation Center for validation of the rating of Corporate counterparties;
- management of quarterly provisioning in accordance with the new IFRS9 methods, for both the commercial banks and for the "former Fellini" exposures (OMP and CRR);
- starting of a specific control on the Group's upgrading to MIFID2;
- preparation of the documents needed for the authorization to use advanced approaches on the "Ex Fellini" Retail exposures;
- fine-tuning of the reporting to CAsa with the inclusion of PVA calculations;
- design of the controls on new OTC derivatives and Modelling validation.

Control on the main IT projects, such as PSD2 and GDPR. In 2019, the main projects will concern:

- the development of the project for the putting in place 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;
- Within the IFRS9 scope, in addition to finalizing the new centralized tools to calculate provisions on performing positions, the models supporting such calculations shall also be integrated;
- 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;
- further implementation of the control system as regards MiFID 2;
- 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;
- controls on activities entailing IT risk as regards digital apps and the PSD2.

The above activities will be carried out also in cooperation with the relevant structures of the French Parent Company.

THE COMPLIANCE FUNCTION

In 2018, the Compliance Department was engaged in the following main projects:

- implementation of the applicable legislation on investment services (MiFID II);
- upgrading systems and processes to Directive (EU) 2015/849, the so-called 4th Anti-Money Laundering Directive;
- implementation of legislation on insurance products (IDD);
- coordination of the GDPR project in its capacity as the Data Protection Officer;
- completion of the International Sanctions - OFAC project;
- PSD2, implementation of the EBA RTS and Guidelines;

- support to the activities in order to ensure full compliance with the Payment Accounts Directive (PAD).

In November 2018, Crédit Agricole Italia was informed of the outcomes of the audits that Bank of Italy had carried out between April and July 2018, concerning (i) compliance with the legislation on transparency and fairness of transactions and business with customers, as well as (ii) reliability and effectiveness of the internal organizational structure as regards preventing and fighting money-laundering and usury. Talks were held with the relevant structures of the Supervisory Authority as regards some remarks it made based on the audit, on the actions implemented by the Bank to handle such remarks. These actions are evidence of the Group's focus on full compliance with the transparency and fairness principles and rules that must inform all its business with customers.

In 2019, the main projects will concern:

- POG as per the EBA Guidelines;
- the project for "Off-premises distribution" of all products (banking and financial);
- completions of the project for full compliance with the 4th Anti-Money Laundering Directive;
- development of the diagnostic tools used in monitoring operations for AML purposes;
- PSD2, full implementation of the EBA RTS and Guidelines.

The above activities will be carried out also in cooperation with the relevant structures of the Parent Company Crédit Agricole SA.

THE INTERNAL AUDIT FUNCTION

The Internal Audit Department is independent of any and all departments and roles engaged in management and decision-making functions that entail risk-taking: indeed, its organizational placement provides for its reporting on a dotted line directly to the Chief Executive Officer of Crédit Agricole Italia and for its solid-line reporting to the Internal Audit Department of the Controlling Company Crédit Agricole S.A.

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;
- 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. In case any activities that are material for the proper operations of the 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 its conclusions on the risk assessment outcomes and with the consequent priorities, as well as with any specific in-depth assessments requested by the Internal Audit Department of the Controlling Company, by the Top Officers and by the Corporate Bodies, it designs an Annual Audit Plan, setting out its actions for the coming period, as well as a Multiyear Audit Plan, and submits them to the French Controlling Company, to the Audit Committee for Internal Control and to the Board of Directors for their approval.

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).

THE MANAGER IN CHARGE

Pursuant to aforementioned Article 154-bis, in a specific document attached to the Annual Report and Financial Statements, to the Annual Report and Consolidated Financial Statements and to the Half-yearly 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.

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 2017 and in the first six months of 2018, the Validation Service is of the opinion that the methods to estimate probability of default (PD) and loss given default (LGD), as well as the rating system used on the Retail portfolio, comply with the most stringent regulatory requirements laid down for the banks authorized to use AIRB approaches to calculate their regulatory capital.

The analyses performed within the follow-up process, which was carried out at the end of 2017 and as at 30 June 2018, showed that four actions had been completed for a total of 38 actions still underway. Among the actions still to be completed, those regarding the Retail rating system are few (4 recommendation) and not blocking ones.

The Probability of Default (PD) estimates were found accurate and conservative, while, in some cases, Loss Given Default (LGD) had been underestimated; the Retail portfolio and the related classification over the rating scale were found stable. Responding to the changes in the applicable legislation, as well as to the recommendations given by the Validation Service on that matter, the Retail PD and LGD model are being reviewed.

The use of the internal rating and of the related risk parameters within the management processes has again been found appropriate. Specifically, it is pointed out that the accounting provisioning process has been managed in compliance with the new IFRS9, in force as of 1 January 2018, taking account also of the internally estimated risk parameters for the calculation of the supervisory capital on the Retail segment.

Based on the results of its analyses, the Validation Service has remarked the need for:

- continuing in the process for the fine-tuning of information traceability supporting the calculation of the acceptance rating;
- strengthening the actions to ensure further traceability of the implemented procedures within the enhancement of the internal controls system as a whole supporting the credit pricing process.

In January 2019, the Validation Service sent its annual report on the controls performed in 2017 and in the first six months of 2018 to the Bank of Italy; this report focused specifically on the rating system used for the Retail segment.

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 Per-forming loans from those in charge of the management of Non-Performing Exposures - (NPE), as well as based on the requests made by the ECB to the Crédit Agricole Italia Banking Group in the document dated 27 April 2018 and setting forth the Supervisor's recommendations following the audit it carried out between April and July 2017. In order to be fully compliant with the recent EU regulatory developments, in 2018 appropriate actions were implemented on the organizational structure of the Group's Companies, also upgrad-ing the related responsibilities.

The Credit Department has the responsibility 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 entail-ing 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 becom-ing 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 ap-propriate standardization of models, lending instruments and lending governance rules.
- to verify, through appropriate operating control mechanisms, compliance with the lend-ing 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 in force at the relevant time.

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;coordinare i rapporti con il Gruppo CA nell'ambito delle NPE nonché, per il medesimo ambito, gestire la predisposizione della documentazione verso le Autorità di Vigilanza;
- coordinating the relations with the CA 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 in force at the relevant time.

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, and for 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 the Structure the Division directly reports to and the Top Officers with adequate reporting and regular briefs on the activities of the Division;
- 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

In 2018, the reorganization of the Credit Department started and led to the separation between the structures managing Performing Loans from those managing Non Performing Exposures (NPE).

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 2018, some actions were implemented on the organizational structure of the Group's Companies, in order to ensure even further separation between the Credit Department and the structures engaged in NPE management and to strengthen the independence of the loan-authorization activities as regards the Corporate Banking Channel.

The Credit Department of Crédit Agricole Italia comprises the Loan Authorization Division and the Loan Management and Protection Division:

- the former is responsible for the performance and credit quality of Performing loans to customers with no material non-performing signs (performing loans); the Loan Authorization Division comprises Loan Authorization Services, each one of which specializes in assessing the loan proposals for 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 real estate and agri-food sectors;
- 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 assess whether out-of-court collection is the best option.

The M/L Term Loans Division, the Credit Secretary Service and the Credit Intelligence Service also report on a solid line to the Credit Department of Crédit Agricole Italia.

In 2018, also the other Companies of the Group carried out the appropriate actions to implement the organizational model set by the Parent Company Crédit Agricole Italia, which their respective credit structures report on dotted line.

For the UTP portfolio, the UTP Management Division was set up 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 structures of Crédit Agricole FriulAdria and Crédit Agricole Carispezia report on a dotted line to the UTP Management Division.

2.2 MANAGEMENT, MEASUREMENT AND CONTROL SYSTEMS

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. Furthermore, the Lending Policies fall within the Risk Strategy, which is determined every year in agreement 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, Production Chains, Public Administration Bodies;
- 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 (accounts held by single customers or jointly held) that are customers for personal purposes, i.e. not for business purposes; these Policies are structures based on counterparty risk and on the type of loan product applied for by the customer (mortgage loans, credit lines on c/a, personal loans, consumer loans and other unsecured loans, mortgage current accounts, signature loans, international transactions, derivatives, credit cards).

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.

Lending processes

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:

- grading of operations into risk classes;
- 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.

The present economic scenario requires utmost 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.

To this end, 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.

Concomitantly with the aforementioned changes made to the organizational structure, the Regulation was updated also in terms of overall streamlining of lending processes (and, thus, enhancing their efficiency), thanks also to further separation of function responsibilities, while confirming the already fully established criteria for credit risk control.

The operation of the internal lending processes of the Crédit Agricole Italia Banking Group is outlines below.

The loan **authorization process** uses risk assessment metrics based on the internal rating systems and sets the loan authorization decision-making powers based on the Probability of Default assigned to the counterparty, which is to be updated at least once a year, as well as on the riskiness of the related technical forms, also considering whether any certain and enforceable guarantees are given. 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 2018, a specific project was started in order to develop a new procedure, with the objective of strengthening loan authorization processes, as well as of enhancing their overall effectiveness and efficiency.

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. Then, 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, 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 companies.

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, whereby:

- 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 showing early warnings is also supported by a specific procedure, called "Pratica Elettronica di Gestione" (Electronic Loan Management procedure, PEG). This tool is constantly fine-tuned in accordance with the specific cases to be managed and with any developments in the applicable legislation; 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.

Furthermore, in 2018, several actions were started on the processes for managing Performing Loans and on the related tools, in order to integrate the new requirements introduced with the entry into force of the new IFRS9, especially as regards management on the onset of any early warnings that, where not promptly removed or mitigated, could cause credit risk to materially increase vs. the recognition date and the IFRS9 staging downgrade. The aforementioned actions are expected to be fully developed and implemented by the end of 2019.

In order to strengthen the integration of the lending processes of the Banks and of the Leasing Company of the Group, in the last quarter of 2018 some actions were also started on the processes for monitoring and managing loans showing early warnings, which are going to be further fine-tuned in 2019.

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 Function issued a Model Development Policy, which was approved by the Board of Directors of the Parent Company and adopted by the Boards of Directors of the other Banks in the Group. This Policy, which was updated in 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 CA Italia Validation Service and are subject to the Internal Audit activities carried out by the IGL (Inspection Générale Groupe) Department of Crédit Agricole S.A.

Within its activities for the monitoring and maintenance of the existing models, in 2018 the Model Development Service worked on the main projects listed below:

- verification of the adequacy of the validated Internal Models for the Retail Exposure portfolio acquired from the Banks that became part of the Group in late December 2017 (within the "Fellini" combination): Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato. This activity was required also in order to apply for the extension of the validated models with the Application Package for Ex-Ante Notification, which was sent to the ECB on 31 October 2018;
- the updating of the LGD internal model 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 model currently in use and to supplement it with the expectations in terms of methods and approaches as laid down in the EBA Guidelines (i.e. inclusion in the model estimate of the so-called open defaults);
- the parallel commissioning of the new rating models that were approved by the Internal Validation Service and recently audited by the Group Internal Audit (IGL) Department, pending the validation to be given by the Regulator for their use;
- the completion of the function requirements for the updating of the risk measurement systems for the corporate perimeter, based on methods and tools provided by the Parent Company Crédit Agricole S.A. These requirements aim at upgrading the rating assignment and validation process in order to progressively align to the standards of the CA.sa. Group;
- 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 the recent macroeconomic development scenarios;
- the contribution to the calculation of the EBA 2018 stress test. This exercise aimed at assessing the resilience of the entire Crédit Agricole Group in a baseline and in a very adverse scenario. This project, which was carried out in coordination with the French Parent Company, involved various operating and management units of the Crédit Agricole Italia Banking Group for most of the first half 2018.
- the estimate of the model to calculate the Haircuts to be applied to the values of Mortgage Guarantees used in the process for the impairment loans classified as Unlikely- to-Pay and Bad.

In 2019, the main projects will concern:

- the completion of the estimate and commissioning of the LGD, CCF and rating models for the Retail portfolio. These activities are required to fully implement the EBA Guidelines as regards the new Definition of Default and the best practices for the estimate of PD and LGD internal models;
- the commissioning of the Parent Company new rating system on the Corporate portfolio in preparation for the extension of the advanced approaches also to that portfolio and for the upgrading of the rating system to the guidelines issued by the Parent Company Crédit Agricole S.A.;
- the review of the satellite model used to condition the PD parameter to set macroeconomic scenarios and the start of projects on the estimate of the satellite models for the LGD and CCF parameters. Thanks to these projects, the Model Development Service is going to be able to use advanced and updated tools for

the calculation of collective impairment in accordance with the new IFRS9 and to carry out stress simulations based on more articulated models (e.g.: EBA Regulatory Stress Testing exercise, stress budgétaire exercise, …).

Cost of credit

Also in the present economic situation, the Crédit Agricole Italia Banking Group has enhanced its systematic control on the developments in the quality of the Loans-to-customers Portfolio; specifically, it has intensified the monitoring on loan positions and has made it even more selective, in order to ensure constant adequacy of recovery expectations in accordance with any changes affecting its counterparties.

The process for the determination, management and monitoring of the cost of credit is under the responsibility of the UTP Management Division. In 2018, following the reorganization reported above, a new management process and the related controls were set; this 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 2018 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 Small Business and Individuals Retail sub-segments, as well as on CALIT; also in 2018, the Real Estate portfolio was monitored with special care.

For each segment, specific indicators have been implemented, which are fit both to assess the portfolio quality performance, to prevent risks resulting from the channel specific activities and to monitor risk diversification in loans target thresholds on the ratings distribution over the loan portfolio.

The system, as in force in 2017, was further strengthened in 2018 as regards setting thresholds and indicators for acquisition structured loans (FSA) and corporate leveraged loans (CEL), and these actions are expected to be completed in 2019.

Moreover, in order to define a reference framework for Stress Test exercises on the different risk scope consistently with the guidelines issued by the Controlling Company Crédit Agricole S.A., 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 Authority and defines the set of stress test exercises to be carried out in the year.

In 2018 the Group carried out the stress testing activities listed below:

- the EBA 2018 regulatory stress testing exercise, in accordance with the approach defined by the European Banking Authority and under the ECB supervision. The objective of the exercise was to verify the resilience of the European Banking Sector to adverse macroeconomic scenarios, based on a common analysis framework able to allow comparison between credit institutions otherwise not directly comparable, as well as a forward-looking analysis of the impacts on the main Income Statement variables. A new development in the exercise concerned the effects of the new IFRS9 in the simulations. The exercise was coordinated by the Parent Company Crédit Agricole and required the involvement of the various cross-border entities on specific scopes. Specifically, the Crédit Agricole Italia Banking Group was asked for a contribution in

determining the component regarding credit risk and net interest income;
- 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 stress testing carried out in 2018 covered the entire consolidation scope, including the recently acquired perimeter (the "Fellini" perimeter).

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 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 supervising 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. 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.

The ECL calculation formula includes 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 interest rate (EIR) used for the initial recognition of the financial instrument.

The models and parameters used are backtested at least annually.

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.

Specifically, 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 and were prepared in accordance with the recent regulatory principles "International Valuation Standards" (IVS) and "European Valuation Standards" (EVS).

In compliance with the recent developments in the regulatory framework, during 2018 the policies and processes to measure the value of real estate property used as collateral for exposures were reviewed; they were confirmed based on very conservative criteria. The implemented actions worth specific mentioning are:

- assigning the task of making residential property appraisals to External Companies in order to better meet the Regulator's expectations and achieving standardization of appraisal reports ensuring adequate coverage throughout the Country;
- structured monitoring on the quality of the services provided by the aforementioned External Companies, which involves the relevant corporate structures (with specific regard to commercial and internal back-office structures), also in order to design and implement any appropriate action plans;
- the change, pursuing even stronger control on guarantees, to the thresholds for statistical revaluation deviation, making them even more conservative (vs. the latest available expert appraisal), within the updating of expert appraisals; in the same scope, again in order to implement an even more prudential approach, an annual update has been set for the NPE perimeter, irrespective of the king of property, as well as even more restrictive application of drive-by appraisals;
- strengthening the controls on full compliance with the guidelines and internal policies on the measurement of real estate collaterals, as regards both single appraisals and the monitoring of overall progress in their updating;
- the transfer to Crédit Agricole Group Solutions of the internal expert appraisers, who were previously on staff at the M/L Term Loans Division within the Credit Department of Crédit Agricole Italia and at the similar structure of CA FriulAdria, in order to ensure even further separation of roles.

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 Crédit Agricole Italia and CALIT, promptly implementing all actions that are deemed the most suitable and effective towards borrowers.

In addition to periodic specific measurement of the recovery value, the management process for non-performing positions aims also at:

- verifying whether the counterparty is capable of recovering financial health and, consequently, restoring the business and loan relationship; 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 group 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.

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".

In 2018, the set objectives in terms of reduction of the NPE portfolio were achieved, in accordance with the NPE Strategy. As at 31 December 2018, total non-performing loans amounted to euro 3,681M€, vs. 5,060M€ as at 31 December 2017. This contributed to the achievement also of the target gross NPE ratio (7.6% vs. 10.8% at the end of 2017) and the target net NPE ratio (3.8% vs. 6.3% as at 31 December 2017).

3.2 WRITE-OFF

The Bad Loans Management Division writes off bad loans after full recovery of the exposure or resumption of its amortization. Moreover, it writes off uncollectible items with the subsequent recognition as losses of the remaining amount not yet adjusted, in the following cases:

a. loan uncollectibility, as proved or inferred, including the implementation of all possible affordable actions;
b. loan disposal;
c. waiver of the credit claim, subsequent to unilateral remission of the residual amount due within authorized and executed settlement;
d. without waiver of the credit claim, in order not to continue to recognise loans that, even though still being managed by the collection structures, have very low probability of ever being collected, such loans must be totally or partially written off for their uncollectibility, also without closing the related legal procedure. The portfolios subject to this kind of analysis, which are always subject of a judgemental assessment in order to ensure full control and monitoring, shall be those concomitantly featuring high vintage, so that there is essentially no recovery expectation, and high coverage ratio.

3.3 PURCHASED OR ORIGINATED CREDIT IMPAIRED ASSETS ("POCI")

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. Since the purchase date, the amount collected on these positions has come to approximately euro 4.8 million.

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 RENEGOTIATIONS 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".

An analysis of exposures referring to forborne assets measured at amortized cost is given below, separately reporting performing and non-performing ones.

		Total
BONIS	Forborne performing exposures	637,550
	Forborne non-performing exposures	1,751
	Total PERFORMING	**639,301**
DEFAULT	Forborne performing exposures	4,647
	Forborne non-performing exposures	1,399,100
	Total DEFAULTED	**1,403,747**
	Grand total	**2,043,048**

QUANTITATIVE DISCLOSURES

A. Credit quality

A.1 Performing and non-performing loans: amounts, value adjustments, changes, trend, breakdown by business sector

A.1.1 Prudential consolidation - Breakdown of financial assets by past due bracket (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	533,773	33,486	275	335,398	95,364	120,787	52,439	19,928	1,361,558
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
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 adjustments and total rovisions

Reasons/risk stages	TOTAL ADJUSTMENTS												Purchased or originated creditimpaired financial assets	Total provisions on commitments to disburse funds and financial guarantees issued			Total
	Stage 1 assets				Stage 2 assets				Stage 3 assets					Stage 1	Stage 2	Stage 3	
	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	of which: individual impairment losses	of which: collective impairment losses	Financial assets measured at amortized cost	Financial assets measured at fair value through other	of which: individual impairment losses	of which: collective impairment losses	Financial assets measured at amortised cost	Financial assets measured at fair value through other	of which: individual impairment losses	of which: collective impairment losses					
Opening balance	**102,633**	**2,214**	**-**	**104,839**	**225,360**	**-**	**-**	**225,360**	**2,852,769**	**-**	**2,852,769**	**-**	**-**	**-**	**-**	**-**	**3,182,976**
Increases from acquired or originated financial assets	20,453	240	-	20,693	18,759	-	-	18,759	6,843	-	6,843	-	-	654	3,720	2,523	53,192
Modification other than write-off	(123)	(1,009)	-	(1,132)	-	-	-	-	(937,905)	-	(937,905)	-	-	-	-	-	(939,037)
Net losses/ recoveries for credit risk	(34,007)	569	-	(33,428)	(41,106)	-	-	(41,106)	193,842	-	193,842	-	-	(1,944)	(234)	(10,429)	106,691
Modification Gains/ Losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimate approach	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-off	(4,222)	-	-	(4,222)	(27)	-	-	(27)	(180,618)	-	(180,618)	-	-	-	-	-	(184,867)
Other changes	4,492	881	-	5,373	(10,180)	-	-	(10,180)	(3,721)	-	(3,721)	-	-	1,512	2,179	23,143	18,306
Closing Balance	**89,226**	**2,895**	**-**	**92,123**	**192,806**	**-**	**-**	**192,806**	**1,931,210**	**-**	**1,931,210**	**-**	**-**	**222**	**5,665**	**15,237**	**2,237,261**
Recoveries from collection on financial assets written-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly through profit and loss	(46)	-	-	(46)	(34)	-	-	(32)	(19,095)	-	(19,095)	-	-	-	-	-	(19,175)

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 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
1. Financial assets measured at amortized cost	946,946	780,395	331,760	62,823	172,711	58,866
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Commitments to disburse funds and financial guarantees issued	40,760	21,005	2,547	423	25,173	2,652
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	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	-	-	-	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	3,539,082	1,994	3,537,088	-
- of which: forborne exposures	X	-	-	-	-
TOTAL A	**-**	**3,539,082**	**1,994**	**3,537,088**	**-**
B. OFF-BALANCE-SHEET EXPOSURES					
a) Non-performing	-	X	-	-	-
b) Performing	X	820,194	715	819,479	-
TOTAL B	**-**	**820,194**	**715**	**819,479**	**-**
TOTAL A+B	**-**	**4,359,276**	**2,709**	**4,356,567**	**-**

(*) 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	2,003,316	X	1,370,074	633,242	1,087
- of which: forborne exposures	530,387	X	358,012	172,375	-
b) Unlikely to Pay	1,635,482	X	556,568	1,078,914	25,814
- of which: forborne exposures	1,019,572	X	325,358	694,214	-
c) Past-due impaired exposures	42,616	X	4,568	38,048	31
- of which: forborne exposures	9,854	X	1,103	8,751	-
d) Past-due not impaired exposures	X	1,160,960	43,301	1,117,659	-
- of which: forborne exposures	X	146,843	14,337	132,506	-
e) Other assets not impaired	X	51,411,904	239,116	51,172,788	333
- of which: forborne exposures	X	551,563	38,357	513,206	-
TOTAL A	**3,681,414**	**52,572,864**	**2,213,627**	**54,040,651**	**27,265**
B. OFF-BALANCE-SHEET EXPOSURES					
a) Impaired	135,559	X	22,598	112,961	-
b) Not impaired	X	3,093,975	13,937	3,080,038	-
TOTAL B	**135,559**	**3,093,975**	**36,535**	**3,192,999**	**-**
TOTAL A+B	**3,816,973**	**55,666,839**	**2,250,162**	**57,233,650**	**27,265**

(*) 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	**185**	**-**	**-**
- of which: sold exposures not derecognised	-	-	-
B. Increases	**-**	**-**	**-**
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	-	-	-
C. Decreases	**185**	**-**	**-**
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	185	-	-
D. Closing gross exposure	**-**	**-**	**-**
- of which: sold exposures not derecognised	-	-	-

A.1.7 Prudential consolidation - On-balance-sheet exposures to customers: changes in gross non-performing exposures

Reasons/Categories	Bad loans	Unlikely to pay	Nonperforming past due exposures
A. Opening gross exposure	**2,950,066**	**2,037,025**	**72,591**
- of which: sold exposures not derecognised	-	-	-
B. Increases	**312,839**	**512,586**	**56,643**
B.1 from performing exposures	35,598	411,369	49,515
B.2 from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	269,566	58,579	1,666
B.4 Contract modifications without derecognition	-	33	-
B.5 other increases	7,675	42,605	5,462
C. Decreases	**1,259,589**	**914,129**	**86,618**
C.1 to performing exposures	7,040	115,159	5,788
C.2 write-offs	169,767	28,121	635
C.3 collections	106,012	86,534	18,670
C.4 profits on disposals	262,519	186,675	-
C.5 losses on disposals	51,182	25,095	-
C.6 transfers to other categories of non-performing exposures	11,096	257,386	61,327
C.7 Contract modifications without derecognition	-	1,004	-
C.8 other decreases	651,973	214,155	198
D. Closing gross exposure	**2,003,316**	**1,635,482**	**42,616**
- of which: sold exposures not derecognised	-	-	-

A.1.7bis Prudential consolidation - On-balance-sheet exposures to customers: changes in gross forborne exposures broken down by credit quality

Reasons/Quality	Forborne exposures: nonperforming	Forborne exposures: performing
A. Opening gross exposure	**2,070,331**	**1,098,160**
- of which: sold exposures not derecognised	-	-
B. Increases	**272,982**	**350,793**
B.1 from non-forborne performing exposures	21,881	249,663
B.2 from forborne performing exposures	198,290	X
B.3 from forborne non-performing exposures	X	41,614
B.4 other increases	52,811	59,516
C. Decreases	**783,500**	**750,547**
C.1 to non-forborne performing exposures	X	384,804
C.2 to forborne performing exposures	41,614	X
C.3 to forborne non-performing exposures	X	198,392
C.4 write-offs	76,697	123
C.5 collections	124,075	140,135
C.6 profits on disposals	188,178	-
C.7 losses on disposal	33,619	-
C.8 other decreases	319,317	27,093
D. Closing gross exposure	**1,559,813**	**698,406**
- of which: sold exposures not derecognised	-	-

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	**2,091,223**	**442,727**	**753,736**	**414,990**	**7,811**	**1,174**
- of which: transferred but not derecognised	-	-	-	-	-	-
B. Increases	**360,528**	**86,699**	**277,273**	**221,935**	**4,912**	**1,385**
B.1 net impairment of purchased or originated financial assets	-	X	-	X	-	X
B.2 other value adjustments	142,008	31,206	198,558	113,313	2,829	499
B.3 losses on disposals	51,182	8,480	25,095	22,761	-	-
B.4 transfers from other categories of impaired exposures	92,485	42,281	11,103	8,048	332	272
B.5 modification gains/losses	-	X	-	X	-	X
B.6 other increases	74,853	4,732	42,517	77,813	1,751	614
C. Decreases	**1,081,677**	**171,414**	**474,441**	**311,567**	**8,155**	**1,456**
C.1 write-backs from valuation	44,878	6,136	59,129	16,172	885	100
C.2 write-backs from collection	24,182	2,866	16,582	3,353	658	88
C.3 profits on disposal	53,958	5,508	28,124	24,438	-	-
C.4 write-offs	172,576	41,542	26,503	12,824	635	120
C.5 transfers to other categories of impaired exposures	6,786	6,768	91,421	46,576	5,712	1,137
C.6 contract modifications without derecognition	-	X	-	X	-	X
C.7 other decreases	779,297	108,594	252,682	208,204	265	11
D. Closing balance of overall adjustments	**1,370,074**	**358,012**	**556,568**	**325,358**	**4,568**	**1,103**
- of which: transferred but not derecognised	-	-	-	-	-	-

Item c.7 Other decreases mainly reports, as to derecognised items other than write-offs, the amount equal to difference between the gross exposure and the 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	**623,270**	**3,072,523**	**4,906,279**	**1,435,638**	**140,788**	**110,579**	**46,482,334**	**56,771,411**
- Stage 1	623,270	3,044,123	4,734,001	1,189,761	107,820	17,810	40,336,250	**50,053,035**
- Stage 2	-	28,400	168,535	225,077	26,348	9,309	2,579,293	**3,036,962**
- Stage 3	-	-	3,743	20,800	6,620	83,460	3,566,791	**3,681,414**
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**3,015,937**	**3,015,937**
- Stage 1	-	-	-	-	-	-	3,015,937	**3,015,937**
- Stage 2	-	-	-	-	-	-	-	**-**
- Stage 3	-	-	-	-	-	-	-	**-**
TOTAL (A+B)	**623,270**	**3,072,523**	**4,906,279**	**1,435,638**	**140,788**	**110,579**	**49,498,271**	**59,787,348**
of which: POCI	-	-	-	-	-	-	-	**-**
C. Commitments to disburse funds and financial guarantees issued	**98,735**	**735,195**	**915,165**	**213,637**	**232,133**	**31,485**	**1,318,102**	**3,544,452**
- Stage 1	98,735	727,999	898,133	188,240	218,989	1,421	1,095,504	**3,229,021**
- Stage 2	-	7,196	17,032	24,904	13,008	6,713	111,055	**179,908**
- Stage 3	-	-	-	493	136	23,351	111,543	**135,523**
TOTAL C	**98,735**	**735,195**	**915,165**	**213,637**	**232,133**	**31,485**	**1,318,102**	**3,544,452**
TOTAL (A+B+C)	**722,005**	**3,807,718**	**5,821,444**	**1,649,275**	**372,921**	**142,064**	**50,816,373**	**63,331,800**

The breakdown by rating grade given above refers to measurements made by Cerved Group

S.p.A and DBRS (which are ECAI – External Credit Assessment Institutions – recognised by the Bank of Italy). The "without rating" column reports exposures with counterparties for which ratings given by the two ECAIs are not available and the relevant key is given in the table below:

Credit rating grade	"ECAI - Lince by Cerved Group"	DBRS
Grade 1		from AAA to AAL
Grade 2	from A1.1 to A3.1	from AH to AL
Grade 3	B1.1	from BBBH to BBBL
Grade 4	from B1.2 to B2.2	from BBH to BBL
Grade 5	C1.1	from BH to BL
Grade 6	from C1.2 to C2.1	from CCCH to D

A.2.2 Prudential consolidation - 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	**9,132,971**	**15,259,432**	**9,524,344**	**4,654,831**	**18,199,833**	**56,771,411**
- Stage 1	9,104,931	15,184,512	8,335,848	239,170	17,188,574	50,053,035
- Stage 2	28,039	73,989	1,167,034	1,095,817	672,083	3,036,962
- Stage 3	1	931	21,462	3,319,844	339,176	3,681,414
B. Financial assets measured at fair value through other comprehensive income			**-**	**-**	**3.015.937**	**3.015.937**
- Stage 1	-		-	-	3,015,937	**3,015,937**
- Stage 2	-		-	-	-	**-**
- Stage 3	-		-	-	-	-
TOTAL (A+B)	**3,015,937**		**9,524,344**	**4,654,831**	**21,215,770**	59,787,349
of which: POCI	3,015,937	-	-	-	-	-
C. Commitments to disburse funds and financial guarantees issued	**503,564**	**1,110,573**	**713,965**	**178,849**	**1,037,501**	**3,544,452**
- Stage 1	503,355	1,099,089	660,289	13,338	952,950	3,229,021
- Stage 2	209	11,483	53,037	34,617	80,562	179,908
- Stage 3	-	1	639	130,894	3,989	135,523
TOTAL (C)	**503,564**	**1,110,573**	**713,965**	**178,849**	**1,037,501**	**3,544,452**
Total (A+B+C)	**9,636,535**	**16,370,005**	**10,238,309**	**4,833,680**	**22,253,271**	**63,331,800**

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, 63% of total counterparties fall within the Investment grades (from AAA to BBB-), whereas 25% falls within the BB+/BB grades and 12% in the B-/D grades.

It is pointed out that 95% of total without-rating exposures refers to counterparties for which there is no internally-developed rating model: specifically, most of these exposures are to Banks and Financial Institutions (66%) and Sovereign States (23%); the remaining 6% consists of Mixed Jointly-held positions, a specific Corporate cluster that cannot be managed with the Anadefi internal model and of other types of counterparties less significant in terms of exposure.

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)									Total (1)+(2)
							Credit deruvatuves					Signature				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - mortgages	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	
1. Secured on-balance-sheet exposures:	**352,066**	**351,615**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**350,000**	**1,447**	**-**	**351,447**
1.1 fully secured	1,457	1,447	-	-	-	-	-	-	-	-	-	-	-	1,447	-	1,447
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	350,609	350,168	-	-	-	-	-	-	-	-	-	-	350,000	-	-	350,000
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Off-balance-sheet secured exposures:	**37,945**	**37,910**	**-**	**-**	**-**	**140**	**-**	**-**	**-**	**-**	**-**	**393**	**26,965**	**-**	**-**	**27,498**
2.1 fully secured	17,115	17,083	-	-	-	140	-	-	-	-	-	393	16,550	-	-	17,083
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	20,830	20,827	-	-	-	-	-	-	-	-	-	-	10,415	-	-	10,415
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Prudential consolidation - On-balance-sheet and off-balance-sheet secured exposure to customers

			Collaterals (1)				Personal guarantees(2)									Total (1)+(2)
							Credit deruvatuves					Signature				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - mortgages	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	
1. On-balance-sheet secured exposures:	**38,105,803**	**36,579,035**	**23,528,203**	**946,600**	**174,236**	**1,726,574**	**-**	**-**	**-**	**-**	**-**	**489,806**	**4,723,215**	**444,959**	**2,951,899**	**34,985,492**
1.1 fully secured	34,660,594	33,320,857	23,375,219	789,615	132,532	1,114,232	-	-	-	-	-	403,534	3,603,293	359,599	2,725,549	32,503,573
- of which non-performing	2,547,454	1,406,040	947,281	60,452	2,558	23,491	-	-	-	-	-	40,141	278	50,060	200,338	1,324,599
1.2 partially secured	3,445,209	3,258,178	152,984	156,985	41,704	612,342	-	-	-	-	-	86,272	1,119,922	85,360	226,350	2,481,919
- of which non-performing	334,071	163,761	32,371	42,554	1,811	7,219	-	-	-	-	-	1,278	5,601	8,738	22,450	122,022
2. Off-balance-sheet secured exposures:	**967,968**	**816,242**	**261,950**	**-**	**32,805**	**189,048**	**-**	**-**	**-**	**-**	**-**	**15,556**	**11,604**	**46,792**	**323,661**	**881,416**
2.1 fully secured	773,143	641,751	247,656	-	20,928	144,609	-	-	-	-	-	6,580	2,694	29,548	311,521	763,536
- of which non-performing	64,250	13,145	45,923	-	339	2,793	-	-	-	-	-	29	376	3,295	6,359	59,114
2.2 partially secured	194,825	174,491	14,294	-	11,877	44,439	-	-	-	-	-	8,976	8,910	17,244	12,140	117,880
- of which non-performing	13,416	9,007	5,034	-	1,497	133	-	-	-	-	-	102	2,800	1	943	10,510

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 Prudential consolidation - Breakdown by business segment of on-balance-sheet and off-balance-sheet exposure to customers

Exposures/ Counterparties	Public administration		Financial companies		Financial companies (of which: insurance undertakings)		Non-financial companies		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										
A.1 Bad loans	-	-	2,431	9,849	2	17	439,365	1,077,309	191,444	282,899
- of which: forborne exposures	-	-	129	1,750	-	-	165,323	347,742	6,923	8,520
A.2 Unlikely to Pay	3	1	11,516	11,932	-	-	885,237	465,309	182,158	79,326
- of which: forborne exposures	-	-	9,012	7,957	-	-	584,388	286,131	100,814	31,270
A.3 Non-performing past-due exposures	-	-	24	6	-	-	18,806	2,370	19,218	2,192
- of which: forborne exposures	-	-	-	-	-	-	5,895	843	2,856	260
A.4 Performing exposures	8,125,443	9,027	5,831,693	15,129	253,115	220	15,769,887	172,178	22,310,309	85,863
- of which: forborne exposures	2,811	55	2,531	694	-	-	426,517	42,124	213,853	9,821
TOTAL A	**8,125,446**	**9,028**	**5,845,664**	**36,916**	**253,117**	**237**	**17,113,295**	**1,717,166**	**22,703,129**	**450,280**
B. Off-balance-sheet exposures										
B.1 Non-performing	200	-	1,345	76	-	-	109,881	22,226	1,535	296
B.2 Performing exposures	16,311	35	187,101	787	34,974	166	2,578,205	8,630	263,447	4,319
TOTAL B	**16,511**	**35**	**188,446**	**863**	**34,974**	**166**	**2,688,086**	**30,856**	**264,982**	**4,615**
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	North-western Italy		North-eastern Italy		Central Italy		Southern Italy and Islands	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance-sheet exposures								
A.1 Bad loans	204,154	474,578	301,690	615,952	83,071	168,594	43,876	108,561
A.2 Unlikely To Pay	316,349	160,726	496,059	270,942	214,357	102,489	48,197	19,822
A.3 Non-performing past due exposures	12,508	1,637	12,887	1,436	8,731	1,085	3,871	403
A.4 Performing exposures	19,630,137	97,887	16,064,456	110,071	14,092,997	54,177	2,083,975	14,545
TOTAL A	**20,163,148**	**734,828**	**16,875,092**	**998,401**	**14,399,156**	**326,345**	**2,179,919**	**143,331**
B. Off-balance-sheet exposures								
B.1 Non-performing exposures	15,910	1,536	77,767	19,863	13,517	1,065	5,767	134
B.2 Performing exposures	1,152,826	4,714	1,270,851	5,865	513,597	2,050	86,693	506
TOTAL B	**1,168,736**	**6,250**	**1,348,618**	**25,728**	**527,114**	**3,115**	**92,460**	**640**
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 to counterparty risk relating to transactions for lending or borrowing securities or commodities are excluded.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees 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 exposure										
A.1 Bad loand	-	-	-	-	-	-	-	-	-	-
A.2 Unilikely to Pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	2,747,401	1,484	763,366	487	-	-	7,895	5	18,426	18
TOTAL A	**2,747,401**	**1,484**	**763,366**	**487**	**-**	**-**	**7,895**	**5**	**18,426**	**18**
B. Off-balance-sheet exposure										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	337,679	565	415,506	61	1,007	-	27,254	76	38,033	13
TOTAL B	**337,679**	**565**	**415,506**	**61**	**1,007**	**-**	**27,254**	**76**	**38,033**	**13**
TOTAL (A+B) 31.12.2018	**3,085,080**	**2,049**	**1,178,872**	**548**	**1,007**	**-**	**35,149**	**81**	**56,459**	**31**

B.4 Large exposures

As at 31 December 2018, positions having large exposure features as defined in Circular No. 258/2013 (as updated) were:

- of a total nominal amount of euro 20,878,681 thousand;
- of a total weighted amount of euro 1,297,009 thousand;
- a total number of risk positions of 4.

C. Securitisation transactions

C.5 Prudential consolidation - Servicer activities - originated securitizations: collection of securitized credit claims and repayment of the securities issued by the securitization special-purpose

Servicer	Special-purpose entity	Assets-backed securities (closing figure)		Credit claims collected in the year		% share of repaid securities (closing figure)					
						Senior		Mezzanine		Junior	
		Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
Crédit Agricole Italia	MondoMutui Cariparma S.r.l. - securitization 1	16,384	1,263,581	10,873	220,744						
Crédit Agricole Italia	MondoMutui Cariparma S.r.l. - securitization 2	7,831	1,384,445	7,535	196,744						

C.6 Prudential consolidation - consolidated securitization special-purpose entities

As at 31 December 2018, 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 2018, the residual debt of securitized loans amounted to euro 2,679 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 949 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 978 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 949 million and euro 978 million, respectively, with maturities on 31 January 2058 and 30 April 2060; the derivative amortization reflects the amortization of senior security.

D. Transfers

A. Financial assets disposed of and not fully derecognised

QUALITATIVE DISCLOSURES

Financial assets disposed of and not derecognised mainly consisted of debt securities relating to repurchase agreements.

QUANTITATIVE DISCLOSURES

D.1 Prudential consolidation - Sold financial assets fully recognised and associated financial liabilities: book value

	Financial assets sold fully recognised				Related financial liabilities		of which: subject to sales contracts with repurchase clauses
	Book value	of which: securitisations	of which: subject to sales contracts with repurchase clauses	of which: nonperforming	Book value	of which: securitisations	
A. Financial assets held for trading							
1. Debt securities	-	-	-	X	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value							
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value							
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income							
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortized cost							
1. Debt securities	645,727	-	645,727	-	-	-	-
2. Loans	-	-	-	-	-	-	-
TOTAL 31 DEC. 2018	**645,727**	**-**	**645,727**	**-**	**-**	**-**	**-**

D.4 Prudential consolidation – Covered bond transactions

In order to increase its liquidity reserves, in 2013 Crédit Agricole Italia designed its program for the issue of Covered Bonds. These bonds are secured, i.e. “covered” both by the issuing Bank and by a pool of high-quality loans that are “separately” managed by a special-purpose entity (Crédit Agricole Italia OBG S.r.l. – the Special-Purpose Entity dedicated to the Program, of which Crédit Agricole Italia holds 60%), operating as the “depositary of the mortgage loans used as collaterals”. The Program 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 derecognise 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, Crédit Agricole FriulAdria and Crédit Agricole Carispezia) transfer a “Pool” of mortgage loans to Crédit Agricole Italia OBG S.r.l. The assets transferred to the Special-Purpose Entity are separated from the SPE’s assets and are to be used to the benefit of the holders of the covered bonds issued and 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 transaction is secured by unconditional and irrevocable collateral issued by Crédit Agricole Italia OBG exclusively to the benefit of the Covered Bond subscribers and of unrelated counterparties.

In addition to creating further eligible liquidity reserves with the European Central Bank by issuing internal Covered Bonds, this transaction allowed the covered bonds to be placed with external investors.

This transaction, which is part of a process for enhancing the efficiency of funding sources, aims at providing the Bank with a wider range of liquidity management instruments. This decision was made considering that the Covered Bond market allows Crédit Agricole 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 January 2018, the Parent Company 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 500 million, thus allowing funding to be further stabilized at modest costs

The disposal pool

The loan pool that, each time, is transferred to the Special-purpose entity must have some common features.

In May 2013, June 2015, February 2016, February 2017, November 2017 and March 2018 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 home mortgage loans (i) having a risk-weighting factor not higher than 35% and (ii) for which the residual principal amount plus the residual principal of any previous mortgage loans with mortgage on the same property is not higher than 80% of the value of the mortgaged property; or
  - which are mortgage loans disbursed or purchased by the Crédit Agricole Italia Banking Group[2];
  - which are performing with no instalments past due for over 30 days from the due date;
  - which do not include clauses restricting the right of the Banks of the Crédit Agricole Italia Banking Group to sell its credit claims resulting from the relevant loan contract or providing for the borrower’s consent to the transfer and for the Banks of the Crédit Agricole Italia Banking Group to have obtained such consent;
  - for which any pre-amortization time provided for by the contract has fully expired and at least one instalment has matured and has been paid;

1 For the time being, the residential mortgage loans resulting from the acquisition of CR Cesena, CR Rimini and CR SanMiniato have been excluded from the program.

2 The residential mortgage loans resulting from the acquisition of CR Cesena, CR Rimini and CR SanMiniato have been excluded.

- which have been granted to a natural person, a legal person or to more than one natural or legal person, who have jointly taken out the loan;
- which provide for the borrower to pay floating-rate interest (determined each time by the Banks of the Crédit Agricole Italia Banking Group) or fixed-rate interest.

Upon the first disposal, made by signing, on 20 May 2013, a specific loan sale master agreement, the Banks in the Crédit Agricole Italia Banking Group transferred an initial pool to Crédit Agricole OBG S.r.l. for a total principal amount of approximately euro 3.2 billion (the "Initial Pool", of which euro 1.9 billion transferred by Crédit Agricole Italia, euro 1.0 billion by Crédit Agricole FriulAdria and euro 0.3 billion by Crédit Agricole Carispezia).

Upon the second disposal, made on 20 June 2015, the Banks of the Crédit Agricole Italia Banking Group transferred a second pool to Crédit Agricole OBG S.r.l. for a total principal amount of approximately euro 2.3 billion (the "Second Pool", of which euro 1.5 billion transferred by Crédit Agricole Italia, euro 0.4 billion by Crédit Agricole FriulAdria and euro 0.4 billion by Crédit Agricole Carispezia).

Upon the third disposal, made on 23 February 2016, the Banks of the Crédit Agricole Italia Banking Group transferred a third pool to Crédit Agricole Italia OBG S.r.l. for a total principal amount of approximately euro 1.0 billion (the "Third Pool", of which euro 0.7 billion transferred by Crédit Agricole Italia, euro 0.1 billion transferred by Crédit Agricole FriulAdria and euro 0.2 billion by Crédit Agricole Carispezia).

Upon the fourth disposal, made on 20 February 2017, the Banks in the Crédit Agricole Italia Group transferred a fourth pool to Cariparma OBG S.r.l. for a total principal amount of approximately euro 2.0 billion (the "Fourth Pool", of which euro 1.4 billion transferred by Crédit Agricole Italia, euro 0.4 billion by Crédit Agricole FriulAdria and euro 0.2 billion by Crédit Agricole Carispezia).

Upon the fifth disposal, made on 27 November 2017, the Banks of the Crédit Agricole Italia Banking Group transferred a fifth pool to Crédit Agricole OBG S.r.l. for a total principal amount of approximately euro 1.3 billion (the "Fifth Pool", of which euro 0.9 billion transferred by Crédit Agricole Italia, euro 0.3 billion by Crédit Agricole FriulAdria and euro 0.1 billion by Crédit Agricole Carispezia).

Upon the sixth disposal, made on 19 March 2018, the Banks in the Crédit Agricole Italia Banking Group transferred a sixth pool to Cariparma OBG S.r.l. for a total principal amount of approximately euro 1.4 billion (the "Sixth Pool", of which euro 1.1 billion transferred by Crédit Agricole Italia, euro 0.2 billion by Crédit Agricole FriulAdria and euro 0.1 billion by Crédit Agricole Carispezia).

As at 31 December 2018, the Cover Pool consisted of receivables, i.e. credit claims, resulting from 90,765 mortgage loans, with a total residual debt, net of any repayments, of approximately euro 7.8 billion (euro 5.4 billion transferred by Crédit Agricole Italia, euro 1.6 billion by Crédit Agricole FriulAdria and euro 0.8 billion by Crédit Agricole Carispezia).

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 engage in significant proprietary trading on financial and capital markets. Moreover, in its capacity as sub-consolidating member of the Crédit Agricole S.A. Group, the CAIBG is subject to the Volcker Rule and to the "Loi francaise de séparation et de régulation des activitès bancaires" (LBF), which prohibit any banking entity from engaging in proprietary speculative trading.

Trading is essentially instrumental, since the Group entities take only residual financial risk positions on behalf of customers, based on the principle of intermediation.

The trading book of the entities of the Crédit Agricole Italia Banking Group consists of over-the-counter derivatives (matched trading) and bonds (to a residual extent). In its capacity as the Parent Company, Crédit Agricole Italia coordinates the interest rate risk and price risk profiles of the Group's trading book, centrally managing financial operations, as well as risk assessment and control activities.

The control of market risk implemented on the trading book ensures that a risk level consistent with the Group's objectives is continuously maintained.

Given the exposure immateriality, Pillar One capital absorption is calculated in accordance with the standardized approach.

B. Management and measurement of interest rate and price risks

Organisational aspects

The process for the management of market risks is regulated by the relevant risk policy. This document lays down the internal regulatory system for the management of market risk with reference to operations in financial instruments, foreign currencies and commodities, in terms of:

- the principles, objectives, approaches and tools used for the measurement, control and management of market risks;
- guidelines and rules which the market risk management processes are based on.

The Market Risk Policy is one of the components of the overall risk governance model implemented by the Group, consistently with Crédit Agricole S.A. guidelines.

Within the process for market risk management, primary responsibility is assigned to corporate bodies/departments, according to their respective scopes, and they must be completely aware of the Bank's level of exposure. Specifically:

- the Board of Directors is tasked with strategic overseeing and is therefore responsible for defining market risk governance policies and management processes;
- the Deputy General Manager in charge of Corporate Banking, delegating the relevant powers to the Corporate Banking Department, is the officer responsible for market risk management, and, therefore, sets down and steers the Group's mechanism for the management of Market Risk;
- the Capital Management and Middle Office Service is responsible for ex-post controls, within the Volcker Rule and LBF scope, of perfect back–to-back of the transactions entered by the Capital Market Division on behalf of customers. In case of any anomalies, it shall report it to the concerned Service and to the RAF and Financial Risk Service;
- the Risk Management and Permanent Controls Department is responsible for control. It verifies the corporate risk management process and supervises compliance of the market risk treatment with the applicable legislation in force and with the Group risk strategy.

The model for market risk management and governance was applied to the entire consolidation scope and, in the reporting year, the guidelines issued by the Parent Company were applied also to Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A., which were acquired at the end of 2017 and then merged in 2018.

The limit structure

The limit structure reflects the level of risk deemed acceptable with reference to the individual business areas and is a mechanism designed to control that operational practices, at the various organisational levels, are performed in compliance with management guidelines and strategies, as defined by the Top Management.

The framework system for market risk regarding the trading book of the Crédit Agricole Italia Banking Group is reviewed on a yearly basis, consistently with the guidelines and the risk appetite set by the Crédit Agricole Group. Such risk appetite is structured through global limits and operational limits that are set by the Crédit Agricole Italia Group in its Risk Strategy.

The system of global limits must be able to ensure a controlled development of the business. The limits are set so as to contain losses within a level deemed acceptable Crédit Agricole Group as a whole. The limits being monitored for market risk have been set using common metrics, such as notional value, Mark-to-Market (MtM) value and Value at Risk (VaR). Global limits (based on the MtM) are validated by the Group Risk Committee (CRG) of the Crédit Agricole S.A. Group and approved by the Boards of Directors of the single entities of the Crédit Agricole Italia Banking Group. Operational limits are set based on the nominal value and, therefore are, consistently with global limits, adaptations of such global limits by type of asset, product, portfolio, and risk factors.

Operational limits are specifically adjusted for each Bank of the Group and are validated by the respective Board of Directors.

Control System

The monitoring of global and operational limits is a task assigned to the Risk Management and Permanent Controls Department. Reporting on compliance with the set limits is included in the monthly Risk Report, which is fed by automated daily reporting through an internal procedure. It is sent to the Group's Top Management Bodies (CFO), to the Departments engaged in market risk management (Corporate Banking Department), to the Internal Audit Department and to Crédit Agricole (Direction Risques Groupe).

A summary of this report is the basis for quarterly reporting on market risks to the Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are exceeded, there are significant changes in the markets, material losses) the Group triggers the alert procedure, reporting the event and a remedial action plant, as soon as possible, to the Top Management Bodies and to the Direction Risques Groupe of Crédit Agricole S.A.

The Risk Management and Permanent Controls Department issues opinions on the approaches used in the models for the pricing of derivatives hedging interest rate, exchange rate and commodity risks, which are sold to customers in accordance with their needs (non-speculative purpose). These instruments, which are not traded on regulated markets (OTC), are measured with specific models that are commonly used in financial practices and are fed with input parameters (such as interest rate, exchange rate and volatility curves) observed on the market and subject to monitoring processes. The Risk Management and Permanent Controls Department is the owner of the Independent Price Verification process, in compliance with Regulation EU No. 575/2013.

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. 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 SA..

Fair Value Option

In 2018, the fair value option was not exercised for any position.

QUANTITATIVE DISCLOSURES

1. Supervisory Trading Book: breakdown by residual maturity (repricing date) of on-balance-sheet financial assets and liabilities and financial derivatives

Type/Residual maturity (euro)	On demand	Up to 3 months	From more than 3 months up to 6 months	From more than 6 months up to 1 year	From more than 1 year to 5 years	From more than 5 year to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**-**	**-**	**-**	**-**	**-**	**28**	**3**	**-**
1.1 Debt securities	-	-	-	-	-	28	3	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	28	3	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial Derivatives	**273,233**	**4,061,675**	**2,245,498**	**936,211**	**3,812,439**	**662,121**	**64,648**	**1**
3.1 With underlying security	-	2,452	-	-	-	-	-	1
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	2,452	-	-	-	-	-	1
+ short positions	-	760	-	-	-	-	-	1
+ posizioni corte	-	1,692	-	-	-	-	-	-
3.2 Without underlying security	273,233	4,059,223	2,245,498	936,211	3,812,439	662,121	64,648	-
- Options	37	4,698	9,122	15,944	90,269	40,761	6,600	-
+ long positions	22	2,349	4,561	7,972	45,133	20,378	3,300	-
+ short positions	15	2,349	4,561	7,972	45,136	20,383	3,300	-
- Other derivatives	273,196	4,054,525	2,236,376	920,267	3,722,170	621,360	58,048	-
+ long positions	136,598	2,029,308	1,121,508	456,144	1,861,342	310,680	29,024	-
+ short positions	136,598	2,025,217	1,114,868	464,123	1,860,828	310,680	29,024	-

Type/Residual maturity (euro)	On demand	Up to 3 months	From more than 3 months up to 6 months	From more than 6 months up to 1 year	From more than 1 year to 5 years	From more than 5 year to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance-sheet liabili-ties	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial Derivatives	**-**	**265,886**	**95,980**	**66,122**	**8,732**	**-**	**-**	**8**
3.1 With underlying security	-	420	-	-	-	-	-	8
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	420	-	-	-	-	-	8
+ long positions	-	412	-	-	-	-	-	-
+ short positions	-	8	-	-	-	-	-	8
3.2 Without underlying security	-	265,466	95,980	66,122	8,732	-	-	-
- Options	-	328	206	354	-	-	-	-
+ long positions	-	164	103	177	-	-	-	-
+ short positions	-	164	103	177	-	-	-	-
- Other derivatives	-	265,138	95,774	65,768	8,732	-	-	-
+ long positions	-	131,293	47,887	32,884	4,366	-	-	-
+ short positions	-	133,845	47,887	32,884	4,366	-	-	-

2. Supervisory Trading Book: breakdown of exposures in equity securities and equity indices by the main Country of the listing market

Type of transactions/Stock Market Index	Listed					Unlisted
	Italy	Other European Countries	America	Asia	Rest of the world	
A. Equity securities	**-**	**-**	**-**	**-**	**-**	**-**
- long positions	-	-	-	-	-	-
- short positions	**-**	**-**	**-**	**-**	**-**	**-**
B. Trading of equity securities not yet settled	-	-	-	-	-	88
- long positions	**-**	**-**	**-**	**-**	**-**	**88**
- short positions	-	-	-	-	-	-
C. Other derivatives on equity securities	-	-	-	-	-	-
- long positions	**-**	**-**	**-**	**-**	**-**	**-**
- short positions	-	-	-	-	-	-
D. Equity Index Derivatives	-	-	-	-	-	-
- long positions	**-**	**-**	**-**	**-**	**-**	**-**
- short positions	-	-	-	-	-	-

1.2.2 Interest Rate Risk and Price Risk - Banking Book

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of interest rate risk and price risks

General aspects

Asset Liability Management activities refer to all exposures on the Banking Book; therefore, this perimeter does not include exposures on the Trading Book. Fluctuations in interest rates that would impact on the profits of the Crédit Agricole Italia Banking Group, through changes in net interest income, and that would also have an effect on the value of its capital, since they would cause a change in the net present value of future cash flows, are mitigated with hedges that are calibrated also through specific modeling of financial statement items.

Organisational aspects

The process for the management of interest rate risk and price risk regarding the Banking Book of the Entities belonging to the Crédit Agricole Italia Banking Group is regulated within the relevant risk policies.

In its capacity as the Parent Company, Crédit Agricole 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 vests:

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

The CFO is responsible for the management and measurement of Interest Rate Risk for the Group as a whole. Through the Finance Department, the CFO sets the methods for managing interest risk in compliance with the applicable regulations and with the methodological indications provided by the Crédit Agricole Group. The CFO designs operational actions, carries out stress testing exercises based on the guidelines issued by the Crédit Agricole Group and prepares the ICAAP report to be sent to the Controlling Company Crédit Agricole S.A. and to the Regulator.

The Risk Management and Permanent Controls Department is responsible for control. Therefore, it verifies the corporate risk management process and supervises compliance of the risk treatment with the applicable legislation in force and with the Group Risk Strategy. Moreover, on a monthly basis, the Risk Management and Permanent Controls Department carries out the reperforming of the risk indicators set down by CAsa within the implemented Risk Strategy.

In compliance with the normative instruments of the Crédit Agricole SA 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 of the Crédit Agricole Italia Banking Group, which is submitted to the Group Risk Committee of Crédit Agricole SA. and is approved by the Boards of Directors of all legal 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 set down the internal regulatory system for the management of risks with reference to operations in financial instruments, in terms of:

- principles, objectives, methodologies and tools used for the measurement, control and management of risks;
- guidelines and rules on which the risk management and stress testing processes are based.

The management of interest rate risk, as designed by the Group, aims at ensuring that the single legal entities and the Group as a whole achieve the maximum possible income from the existing positions through proactive management of interest risk hedges. The main financial instruments for the management of interest risk hedges are interest rate derivatives.

The model for interest rate risk management and governance was applied to the entire consolidation scope and, in the reporting year, the guidelines issued by the Parent Company were applied also to Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A., which were acquired at the end of 2017 and then merged in 2018.

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 the scope of its tasks, the Risk Management and Permanent Controls Department:

- independently verifies compliance with the limits and alter thresholds provided for by the RAF and by the Risk Strategy; it also expresses its prior opinion in case of any changes to the approaches and methods used by the Finance Department, while reporting on them to the ALM Committee and to the Risk and Internal Control Committee;
- submits the outcomes of its verifications to the Controlling Company on a monthly basis and, in case of breach of any one of the limits set down in the Risk Strategy, it triggers the Alert Procedure and analyzes and approved the Action Plan proposed by the corporate structures concerned;
- reports to the Boards of Directors of the single Banks of the Group and to the Risk and Internal Control Committee on any breached limits, problems arisen and compliance with the limits set in the Risk Strategy.

The Risk Management and Permanent Controls Department is responsible for control of compliance with the set limits (global, operational and alert thresholds); therefore, it prepares and sends to the Corporate Bodies its Financial Risk Report, 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 any and all items that, although not featuring such profile, in terms of asset stability and responsiveness to changes in market interest rates, are among the items that are sensitive to interest rate risk for the Banks of the Group.

Specifically, for interest rate risk analysis, the following elements are identified:

- term loans (fixed and variable rate for the portion with an already established rate);
- balance-sheet items modelled in accordance with the Controlling Company's guidelines through an internal statistical analysis aimed at identifying the stable part by volume over time and, within its scope, if so provided for by the model, the component linked to the market performance and the one insensitive to changes in rates.
- balance-sheet items modelled in accordance with specific management rules set by the relevant corporate structures.

The balance-sheet items described above contribute to the determination of the "cumulative gap".

Consistently with the guidelines issued by the CAsa Group, the limit system consists of global limits, operational limits and alert thresholds (that are then adapted to each single entity of the Group).

As regards global limits on interest rate risk, the Risk Strategy has confirmed:

- global limit in terms of Net Present Value (NPV);
- gap global limit subdivided into different time ranges.
- furthermore, an alert threshold has been set on the "Gamma Effect" component, which represents the volatility of the possible exercise of a Cap/Floor option on specific loan products.

Risk indicators regarding the variable rate part, not present in the previous year, were added, such as:

- a global limit in Van Index terms;
- a Gap Index operational limit broken down by indexation and time range.

As regards price risk for the Banking Book, global limits have been set, based on the type of instruments that can be held (mainly Italian Government securities), which are expressed with reference to the maximum nominal value, and further global limits and alert thresholds have been identified for the Banking Book stress testing.

Since 1 January 2018, the IFRS9 has replaced IAS 39. On that date, the apps used by the Risk Management and Permanent Controls Department to monitor exposure to risk had already been made fully compliant with the new standard. The IFRS 9 provides for financial assets to be classified based on the characteristics of their contractual cash flows and on the Business Model determined by the Top Management.

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 more than 3 months up to 6 months	From more than 6 months up to 1 year	From more than 1 year to 5 years	From more than 5 year to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**14,126,950**	**22,105,683**	**1,950,846**	**1,733,217**	**7,768,593**	**4,797,093**	**4,460,652**	**150,771**
1.1 Debt securities	-	-	-	366,922	4,689,905	2,693,181	79	150,771
- with early repay-ment option	-	-	-	-	-	-	-	-
- other	-	-	-	366,922	4,689,905	2,693,181	79	150,771
1.2 Loans to banks	571,147	2,781,401	8,623	15,188	3,983	-	892	-
1.3 Loans to customers	13,555,803	19,324,282	1,942,223	1,351,107	3,074,705	2,103,912	4,459,681	-
- c/a	1,456,392	380,765	46,211	122,642	148,778	8,480	970,643	-
- other loans	12,099,411	18,943,517	1,896,012	1,228,465	2,925,927	2,095,432	3,489,038	-
- with early repayment option	20,788	445,011	172,041	26,111	47,937	8,767	16,058	-
- other	12,078,623	18,498,506	1,723,971	1,202,354	2,877,990	2,086,665	3,472,980	-
2. On-balance-sheet li-abilities	**37,069,417**	**1,833,783**	**499,531**	**267,771**	**7,186,951**	**2,287,701**	**4,492,126**	**-**
2.1 Loans to customers	36,701,026	175,139	9,845	1,654	1,979	-	2,497,740	-
- c/a	34,314,516	151,235	-	-	70	-	2,497,740	-
- other due and payables	2,386,510	23,904	9,845	1,654	1,909	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	2,386,510	23,904	9,845	1,654	1,909	-	-	-
2.2 Due to banks	365,688	1,057,371	306,247	3,878	4,215,003	-	-	-
- c/a	24,701	-	-	-	-	-	-	-
- other due and payables	340,987	1,057,371	306,247	3,878	4,215,003	-	-	-
2.3 Debt securities	2,703	601,273	183,439	262,239	2,969,969	2,287,701	1,994,386	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	2,703	601,273	183,439	262,239	2,969,969	2,287,701	1,994,386	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial Derivatives	**295,672**	**24,943,134**	**821,446**	**2,288,769**	**11,556,124**	**8,935,789**	**2,904,786**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	295,672	24,943,134	821,446	2,288,769	11,556,124	8,935,789	2,904,786	-
- Options	672	30,776	146	270,286	245,259	905,508	904,452	-
+ long positions	263	3,812	73	135,143	126,515	455,859	456,884	-
+ short positions	409	26,964	73	135,143	118,744	449,649	447,568	-
- Other derivatives	295,000	24,912,358	821,300	2,018,483	11,310,865	8,030,281	2,000,334	-
+ long positions	-	4,849,259	820,156	1,722,995	9,536,900	5,765,000	2,000,000	-
+ short positions	295,000	20,063,099	1,144	295,488	1,773,965	2,265,281	334	-
4 Other off-balance-sheet transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Type/Residual maturity (euro)	On demand	Up to 3 months	From more than 3 months up to 6 months	From more than 6 months up to 1 year	From more than 1 year to 5 years	From more than 5 year to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**65,055**	**218,513**	**25,229**	**23,565**	**11,195**	**2**	**1**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	51,847	89,124	2,941	9,362	997	-	-	-
1.3 Loans to customers	13,208	129,389	22,288	14,203	10,198	2	1	-
- c/a	12,114	-	1	2	-	-	-	-
- other loans	1,094	129,389	22,287	14,201	10,198	2	1	-
- with early repayment option	43	23,530	2,674	1,949	168	-	-	-
- other	1,051	105,859	19,613	12,252	10,030	2	1	-
2. On-balance-sheet liabilities	**257,039**	**77,003**	**5,871**	**4,580**	**1,227**	**-**	**-**	**-**
2.1 Loans to customers	253,840	5,638	1,154	1,505	-	-	-	-
- c/a	253,651	5,638	1,154	1,505	-	-	-	-
- other due and payables	189	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	189	-	-	-	-	-	-	-
2.2 Due to banks	3,199	71,365	4,717	3,075	1,227	-	-	-
- c/a	2,839	13,547	1,153	-	74	-	-	-
- other due and payables	360	57,818	3,564	3,075	1,153	-	-	-
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	**5,650**	**20,524**	**4,138**	**175**	**-**	**-**	**-**	**-**
+ long positions	1,462	10,921	2,685	175	-	-	-	-
+ short positions	4,188	9,603	1,453	-	-	-	-	-

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 that is one of the key components of the overall risk governance model implemented by the Group, consistently with the guidelines given by Crédit Agricole S.A..

Within the process for foreign exchange risk management, primary responsibility is assigned to the relevant corporate bodies/departments, according to their respective scopes, and they must be completely aware of the Bank's level of exposure.

Specifically:

- the Board of Directors is in charge of with strategic oversight and is therefore responsible for defining risk governance policies and management processes;
- the Deputy General Manager in charge of Corporate Banking, through the Capital Market Division, is responsible for risk management, and, therefore, defines and steers the Group's mechanism for the management of 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 (CRG) of Crédit Agricole S.A. 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 Departments engaged in exchange rate risk management (Corporate Banking Department), to the Internal Audit Department and to Crédit Agricole S.A. (Direction Risques Groupe).

A summary of this report is the basis for quarterly reporting on 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 foreign exchange 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					
	USA Dollar currencies	Pound Sterling	Yen	Canadian Dollar	Swiss Franc	Other
A. Financial Assets	**235,734**	**14,070**	**13,706**	**5,998**	**12,980**	**71,511**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	313	-	-	-	-	-
A.3 Loans to banks	69,683	10,677	3,301	3,575	8,948	67,964
A.4 Loans to customers	165,738	3,393	10,405	2,423	4,032	3,547
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**1,280**	**654**	**95**	**114**	**509**	**403**
C. Financial Liabilities	**233,645**	**14,599**	**13,972**	**5,474**	**12,889**	**71,760**
C.1 Loans to banks	61,971	4,417	9,675	3,061	2,956	8,122
C.2 Loans to customers	171,674	10,182	4,297	2,413	9,933	63,638
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**1,942**	**240**	**15**	**182**	**140**	**395**
E. Financial derivatives	**376,453**	**7,921**	**8,869**	**10,626**	**5,921**	**35,314**
- Options	370	502	-	-	16	-
+ long positions	185	251	-	-	8	-
+ short positions	185	251	-	-	8	-
- Other derivatives	376,083	7,419	8,869	10,626	5,905	35,314
+ long positions	187,878	3,846	4,513	5,326	2,533	17,643
+ short positions	188,205	3,573	4,356	5,300	3,372	17,671
Total assets	**425,077**	**18,821**	**18,314**	**11,438**	**16,030**	**89,557**
Total liabilities	**423,977**	**18,663**	**18,343**	**10,956**	**16,409**	**89,826**
Mismatch (+/-)	**1,100**	**158**	**(29)**	**482**	**(379)**	**(269)**

1.3 Derivatives and hedging policies

1.3.1 Derivative instruments held for tradinge

A. Financial Derivatives

A.1 Financial derivatives held for trading: closing notional values

Underlying assets/Type of derivatives	Total 31 Dec. 2018			
	Over the counter			Organised markets
	Central Counterparties	without central counterparties		
		With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**-**	**4,066,553**	**4,072,128**	**-**
a) Options	-	1,204,810	1,200,527	-
b) Swaps	-	2,861,743	2,871,601	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**231**	**-**
a) Options	-	-	231	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Foreign exchange and gold	**-**	**183,567**	**284,189**	**-**
a) Options	-	49,880	49,880	-
b) Swaps	-	-	-	-
c) Forwards	-	133,687	234,309	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**1,510**	**1,514**	**-**
5 Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**-**	**4,251,630**	**4,358,062**	**-**

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

Type of derivatives	Total 31 Dec. 2018			
	Over the counter			Organised markets
	Central Counterparties	without central counterparties		
		With netting agreements	Without netting agreements	
1. Positive fair value				
a) Options	-	3,186	2,021	-
b) Interest rate swaps	-	264	56,276	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	1,041	2,949	-
f) Futures	-	-	-	-
g) Other	-	-	24	-
TOTAL	**-**	**4,491**	**61,270**	**-**
2. Negative fair value				
a) Options	-	1,388	2,918	-
b) Interest rate swaps	-	65,125	116	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	1,200	2,748	-
f) Futures	-	-	-	-
g) Other	-	20	-	-
TOTAL	**-**	**67,733**	**5,782**	**-**

A.3 OTC financial derivatives held for trading: notional values, gross positive and negative fair values by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional value	X	-	210,208	3,861,919
- positive fair value	X	-	2,401	54,787
- negative fair value	X	-	8	2,698
2) Equity securities and equity indices				
- notional value	X	231	-	-
- positive fair value	X	650	-	-
- negative fair value	X	-	-	-
3) Foreign exchange and gold				
- notional value	X	56,166	1,747	226,277
- positive fair value	X	988	-	2,420
- negative fair value	X	876	84	2,116
4) Commodities				
- notional value	X	-	-	1,514
- positive fair value	X	-	-	24
- 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	-	4,061,327	5,226	-
- gross positive fair value	-	3,120	-	-
- gross negative fair value	-	65,992	62	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	183,567	-	-
- gross positive fair value	-	1,371	-	-
- gross negative fair value	-	1,659	-	-
4) Commodities				
- notional value	-	1,510	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	20	-	-
5) Other				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-

A.4 Residual maturity of OTC financial derivatives: notional valuesi

Underlying asset/residual maturity	Up to 1 year	From over 1 year to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	595,576	4,847,401	2,695,710	8,138,687
A.2 Financial derivatives on equity securities and equity indices	-	231	-	231
A.3. Financial derivatives on foreign exchange rates and gold	459,024	8,734	-	467,758
A.4 Financial derivatives on other values	3,024	-	-	3,024
A.5 Other financial derivatives	-	-	-	-
TOTAL 31 DEC. 2018	**1,057,624**	**4,856,366**	**2,695,710**	**8,609,700**

1.3.2 ACCOUNTING HEDGES

A. Fair value hedging

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

The main financial instruments for the management of interest rate risk hedges are Interest Rate Swaps and Inflation-linked 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 cap to customers (macro-hedging), government securities in reserves (asset-swap hedging) and modelled 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.

B. Cash flow hedging

There is no current cash flow hedging.

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 set for all the types of hedging 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 the 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 portion referring to interest rate risk. 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 recognised as Assets (fixed rate):

The hedged item is limited to portion referring to interest rate risk. 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 recognised as Liabilities

The hedged item is limited to portion referring to interest rate risk. 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 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 mortgage loans (variable rate):

The hedged item is limited to portion referring to interest rate risk. 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. 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

Underlying assets/Type of derivatives	Total 31 Dec. 2018			
	Over the counter			Organized markets
	Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**-**	**27,244,754**	**-**	**-**
a) Options	-	2,550,444	-	-
b) Swaps	-	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	**-**	**27,244,754**	**-**	**-**

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 value used to calculate hedge ineffectiveness
	Total 31 Dec. 2018				Total 31 Dec. 2018
	Over the counter			Organized markets	
	Central counterparties	Without central counterparties			
		With netting agreements	Without netting agreements		
1. Positive fair value					
a) Options	-	81,425	-	-	81,425
b) Interest rate swaps	-	493,906	-	-	493,906
c) Cross currency swaps	-	-	-	-	-
d) Equity swaps	-	-	-	-	-
e) Forwards	-	-	-	-	-
f) Futures	-	-	-	-	-
g) Other	-	-	-	-	-
TOTAL	**-**	**575,331**	**-**	**-**	**575,331**
2. Negative fair value					
a) Options	-	-	-	-	-
b) Interest rate swaps	-	564,549	-	-	564,549
c) Cross currency swaps	-	-	-	-	-
d) Equity swaps	-	-	-	-	-
e) Forwards	-	-	-	-	-
f) Futures	-	-	-	-	-
g) Other	-	-	-	-	-
TOTAL	**-**	**564,549**	**-**	**-**	**564,549**

A.3 OTC financial derivatives held for hedging: notional values, gross positive and negative fair values by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting agreements				
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	-	27,241,806	2,948	-
- gross positive fair value	-	575,331	-	-
- gross negative fair value	-	564,246	303	-
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 year and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	3,351,470	11,369,125	12,524,159	27,244,754
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. 2018	**3,351,470**	**11,369,125**	**12,524,159**	**27,244,754**

D. Hedged items

D.1 Fair value hedging

	Micro-hedges: book value	Micro-hedges – net positions: book value of assets and liabilities (prior to netting)	Micro-hedges			Macrohedges: book value
			Cumulative fair value changes (hedged instrument)	Termination of hedging: residual cumulative fair value changes	Changes in value used to assess hedge	
A. ASSETS						
Financial assets measured at fair value through other comprehensive income - hedging of:						
1.1 Debt securities and interest rates	2,638,889	-	29,832	9,295	-	X
1.2 Equity securities and equity indices	-	-	-	-	-	X
1.3 Foreign exchange and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
Financial assets measured at amortized cost - hedging of:						
1.1 Debt securities and interest rates	2,202,012	-	97,630	-	-	X
1.2 Equity securities and equity indexes	-	-	-	-	-	X
1.3 Foreign exchange and gold	-	-	-	-	-	X
1.4 Loans	38,086	-	5,917	1,369	-	X
1.5 Other	-	-	-	-	-	X
TOTAL 31 DEC. 2018	**4,878,987**	**-**	**133,379**	**10,664**	**-**	**-**
B. LIABILITIES						
Financial liabilities measured at amortized cost - hedging of:						
1.1 Debt securities and interest rates	7,087,852	-	4,081	497	-	X
1.2 Foreign exchange and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
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	-	31,662,264	8,173	-
- positive fair value	-	444,197	-	-
- negative fair value	-	495,981	365	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	183,568	-	-
- positive fair value	-	421	-	-
- negative fair value	-	595	-	-
4) Commodities				
- notional value	-	1,510	-	-
- positive fair value	-	-	-	-
- negative fair value	-	20	-	-
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 DISCLOSURES

A. General aspects, management and measurement of liquidity risk General and organizational aspects

Liquidity risk reflects the possibility that the Group may not be able to meet its payment commitments, both expected and unexpected, without prejudicing its daily operations or its financial position. This risk is managed based on the following components:

- management of short-term liquidity: its objective is to ensure the balance between incoming and outgoing liquidity flows, in the perspective of continuously supporting normal banking operations;
- management of structural liquidity: its objective is to maintain the balance between total liabilities and medium/long-term assets.

The liquidity risk management model, approved by Crédit Agricole 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, the Plan d’Urgence and the Contingency Funding Plan.
- 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 mechanism, controls compliance with global and operational limits, as well as with alert thresholds, prepares the reporting to corporate Bodies and triggers, where required, the alert procedures. Jointly with the Finance Department, it is also responsible for monitoring the ratios provided for in the Contingency Funding Plan.

The process for the management of liquidity risk is governed by the relevant risk policy.

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 key condition for achieving this objective is to constantly maintain sufficient balance between incoming and outgoing liquidity flows.

The Group’s liquidity risk monitoring system considers the following factors:

- keeping immediate liquidity, i.e. the net balance of customer sources, excess own funds and loans to customers. This is carried out by recognizing cash inflows and outflows expected in the various ranges of residual maturity making up the maturity ladder;

- the continuation of the business activity based on planned rates (monitoring the performance of liquidity from loans to customers/customer sources).

An essential aspect of liquidity management is the definition of an interbank short-term refinancing limit (LCT - *Limite Court Terme*), which is fine-tuned using the method set by the Liquidity System and aimed at ensuring surplus liquidity over a one-year horizon in a market under stress conditions.

Short-term liquidity risk management and oversight policies aim at ensuring the surmounting of any crisis that leads to serious reduction in the Group's normal financing sources; in this regard, three stress scenarios have been identified:

- systemic crisis: a situation that leads to partial closure of the short-term and medium-/long-term refinancing market, with continuing business operations. The Group must be able to continue operations for a time horizon of one year;
- idiosyncratic crisis: a situation that leads to a bank run, partial closure of the short-term market and total closure of the medium-/long-term market with continuing business operations. In this scenario, the Group must be able to continue operations for a time horizon of three months;
- global crisis: a situation having the combined features of both a systemic crisis and an idiosyncratic crisis, in terms of substantial bank run, total closure of the markets, use of reserves even though with 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.

In 2018, in compliance with the Basel III regulatory framework, the Banks of the Group reported their LCRs (liquidity coverage ratios) and ALMM (Additional Liquidity Monitoring Metrics) to the Supervisory Authorities on a regular basis.

Alert thresholds have also been implemented for the management medium-/long-term liquidity, by defining the ratios Position en Resources Stable (PRS) and Coefficient en Resources Stable (CRS). They aim at ensuring the Group financial balance between stable founding (medium-/long-term funding on the market, funding from customers, own funds) and long-term uses (non-current assets, loans to customers, customers' securities and LCR reserves). PRS and CRS positive levels substantiate the Group's ability to support its assets during a crisis.

Moreover, concentration limit to MLT maturities (*Concentration des tombées de dette MLT*) has been set, which aims at ensuring balance between maturities of MLT resources and maturities of long-term uses.

The resilience ratios and indicators for every one of the assumed scenarios are calculated on a monthly basis.

These ratios and indicators have the purpose of monitoring compliance with the Group's risk appetite and are benchmarked against specific limits laid down by Crédit Agricole S.A. and approved by the Group Risk Committee, upon presentation of the Risk Strategy and then submitted to the Board of Directors of the Parent Company Crédit Agricole Italia for its approval.

It is reported that, in 2018, the Parent Company Crédit Agricole Italia carried out a Covered Bond issue on the market for a total of euro 500 million; the Covered Bonds were fully subscribed by institutional investors. With these transactions, the Group aims at improving its liquidity profile even further, diversifying its funding sources and stabilizing them on longer maturities.

The Banks of the Group participated in the cover pool transferring credit claims from mortgage loan 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 control of compliance with the set limits (global, operational and alert thresholds). On a monthly basis, it prepares and sends its Financial Risk Report to the Corporate Bodies, which provides information on the control outcomes and on any breaches of limits, and activates, where required, the appropriate alert procedures. On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to the Boards of Directors of each one of the Entities of the Crédit Agricole Italia Banking Group.

Jointly with the Finance Department, the Risk Management and Permanent Controls Department is also responsible for monitoring the ratios provided for in the Contingency Funding Plan.

DISCLOSURE

The document "Disclosure" (Basel III Third Pillar) referring to 31 December 2018 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 set down in Part One, Title II, Chapter 2, Article 13, Paragraph 1 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) on "Application of disclosure requirements on a consolidated basis" are met.

QUANTITATIVE DISCLOSURES

1. Breakdown of financial assets and liabilities by residual contract maturity

Items/ Timeframe (euro)	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 months to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 year	Over 5 yeas	Indefinite maturity
On-balance-sheet assets	**3,477,175**	**129,325**	**217,058**	**651,113**	**1,530,594**	**1,709,991**	**4,661,655**	**19,734,951**	**23,003,351**	**2,502,571**
A.1 Government securities	25	-	439	-	56,541	34,884	406,859	4,354,400	2,573,611	-
A.2 Other debt securities	79	-	-	-	2	-	9,256	13,332	7,026	135,428
A.3 Units of collective investment undertakings	25,135	-	-	-	-	-	-	-	-	-
A.4 Loans	3,451,936	129,325	216,619	651,113	1,474,051	1,675,107	4,245,540	15,367,219	20,422,714	2,367,143
- banks	223,887	228	3,656	6,372	6,396	8,663	365,135	408,395	-	2,367,143
- customers	3,228,049	129,097	212,963	644,741	1,467,655	1,666,444	3,880,405	14,958,824	20,422,714	-
On-balance-sheet liabilities	**39,690,133**	**152,853**	**101,487**	**44,276**	**695,948**	**191,993**	**388,601**	**7,498,887**	**5,099,965**	**-**
B.1 Deposits and current accounts	39,359,422	-	-	1,802	155,830	514	20,182	16,201	-	-
- banks	327,783	-	-	1,481	-	-	6,526	16,131	-	-
- customers	39,031,639	-	-	321	155,830	514	13,656	70	-	-
B.2 Debt securities	149,353	152,850	96,963	35,984	313,113	167,864	298,102	3,006,618	4,289,489	-
B.3 Other liabilities	181,358	3	4,524	6,490	227,005	23,615	70,317	4,476,068	810,476	-
Off-balance-sheet transactions	**135,692**	**74,631**	**21,052**	**57,746**	**225,223**	**134,499**	**249,577**	**151,898**	**135,132**	**-**
C.1 Financial derivatives with exchange of principal	-	67,781	6,488	48,868	138,720	94,526	64,327	8,950	132	-
- long positions	-	33,847	3,196	24,458	69,310	47,259	32,220	4,728	132	-
- short positions	-	33,934	3,292	24,410	69,410	47,267	32,107	4,222	-	-
C.2 Financial derivatives without exchange of principal	135,692	6,850	14,564	8,878	86,503	39,973	185,250	142,948	135,000	-
- long positions	64,255	6,848	14,367	8,784	58,797	29,411	130,632	138,974	-	-
- short positions	71,437	2	197	94	27,706	10,562	54,618	3,974	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.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Items/Timeframe (euro)	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 months to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 year	Over 5 yeas	Indefinite maturity
On-balance-sheet assets	**81,292**	**56,193**	**26,778**	**79,165**	**53,346**	**17,092**	**6,087**	**15,331**	**5,291**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.4 Loans	81,292	56,193	26,778	79,165	53,346	17,092	6,087	15,331	5,291	-
- banks	56,420	36,487	-	50,855	1,896	3,032	2,991	998	-	-
- customers	24,872	19,706	26,778	28,310	51,450	14,060	3,096	14,333	5,291	-
On-balance-sheet liabilities	**256,262**	**9,158**	**5,433**	**36,443**	**25,238**	**5,907**	**3,845**	**-**	**-**	**-**
B.1 Deposits and current accounts	253,699	9,158	5,433	36,443	25,238	5,115	2,837	-	-	-
- banks	48	9,158	5,433	33,589	22,418	3,946	1,305	-	-	-
- customers	253,651	-	-	2,854	2,820	1,169	1,532	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	2,563	-	-	-	-	792	1,008	-	-	-
Off-balance-sheet transactions	**5,650**	**80,603**	**6,963**	**55,284**	**141,744**	**100,118**	**66,297**	**9,134**	**18**	**-**
C.1 Financial derivatives with exchange of principal	-	66,140	6,963	50,170	140,797	95,980	66,122	9,134	18	-
- long positions	-	32,669	3,731	25,085	70,508	47,990	33,061	4,366	9	-
- short positions	-	33,471	3,232	25,085	70,289	47,990	33,061	4,768	9	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	1,957	-	102	-	1,453	-	-	-	-
- long positions	-	1,756	-	-	-	-	-	-	-	-
- short positions	-	201	-	102	-	1,453	-	-	-	-
C.4. Irrevocable commitments to disburse funds	5,650	12,506	-	5,012	947	2,685	175	-	-	-
- long positions	1,462	3,206	-	5,012	947	2,685	175	-	-	-
- short positions	4,188	9,300	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7. Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

As at 31 December 2018, 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 2018, the residual debt of securitized loans amounted to euro 2,679 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 949 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 978 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 949 million and euro 978 million, respectively, with maturities on 31 January 2058 and 30 April 2060; the derivative amortization reflects the amortization of 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 (15th update of Bank of Italy’s Circular No. 285/2013 as updated);
- to maintain constant full compliance of Crédit Agricole Italia, CA Carispezia and CA FriulAdria with the regulatory requirements for the use of the Traditional Standardised Approach (TSA) and full compliance of the other banking entities of the Group with the requirements for the use of the Basic indicator approach (BIA) to calculate their supervisory capital;
- to constantly improve the monitoring of risks and losses, in order to allow a management- oriented approach, especially in terms of risk mitigation and prevention initiatives, as well as risk culture dissemination;
- 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 S.A., and reports on a solid line to the latter.

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

In compliance with the supervisory regulations, the Group has formalized the roles and responsibilities of the corporate bodies and structures involved in the management of operational risks. The governance model provides for:

- a centralized strategy for the control of operational risks;
- close connections with the activities for permanent controls;
- synergies with the Compliance Department and with the Internal Audit Department.

Risk management

The Group has adopted a model that is consistent with the guidelines issued by Crédit Agricole and governed by the central department, which works with the well-established and complementary contributions, in its operating, management and mitigation activities, of specialized roles, departments and mechanisms:

- ORM (Operational Risk Manager, Italian acronym: MRO);
- Control on Outsourced Important Operational Functions/Provision of Outsourced Essential Services (Italian acronyms FOIE/PSEE) and on Physical Security;
- PRSI (Pilote des Risques SI), in charge of monitoring and control of IT risks on the information System and on the Business Continuity Plan (BCP or with the Italian acronym PCO);
- CISO (Chief Information Security Officer), who is responsible for the security of corporate information;
- information Security Manager (ISM): who is responsible for the implementation and management of the Information System operational security;
- business Continuity Manager (BCM), who is responsible for the Group's Business Continuity Plan;
- persons in charge of Controls, within the Distribution Network structures, with the task of performing 2nd degree 1st level permanent controls;
- structures and tools, instrumental for proper risk control and for the management of mitigation/improvement actions, including:
  - the Risk and Internal Control Committee;
  - the FOIE/PSEE Interfunctional Unit for the Provision of Outsourced Important Operational Functions and the Provision of Outsourced Essential Services;
  - the BCP (Business Continuity Plan) Interfunctional Unit;
  - the Supervisory Committee on IT Security and on BCP of the Parent Company CAsa
  - (CSSCA, Supervisory Committee on Security and Business Continuity);
  - the system of 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 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 of the permanent controls plan, both within the Distribution Network and at 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 mechanism for control and monitoring on outsourced essential services (FOIE/ PSEE):
- implementation of the mechanism for control and monitoring on:
  - physical security;
  - business Continuity (BCP);
- implementation of the unit engaged in control and monitoring of Information and communication Technology (ICT) Risk.

Transfer of risk

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 C.A.sa 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.

Other activities implemented

Proactive involvement in the most important corporate projects, especially those with high organizational impact, in order to provide its contribution, from the earliest phases, for consistent and complete preparation of the mechanisms for the management of the risks that are inherent in each project.

Implementation of initiatives aimed at compliance with the new Supervisory regulation on the Internal Controls System (ICS).

Risk management oversight and shared solutions

This is the specific task of the Group Risk and Internal Control Committee, composed of the main Corporate Departments, which is responsible for:

- approving guidelines and action plans on operational risks;
- reporting on LDC (Loss Data Collection);
- monitoring control activities and outcomes, as well as periodically validating the mapping of operational

risks;
- governing Business Continuity for the Crédit Agricole Italia Banking Group;
- monitoring and, if necessary, taking action on Information and Communication Technology (ICT) Risk for the Crédit Agricole Italia Banking Group, assessing the situation based on the periodic reporting made by the PRSI (Pilote des Risques SI) and by the CISO (Chief Information Security Officer);
- assessing the dossiers on outsourced important operational functions and essential services (FOIE/PSEE) for the Crédit Agricole Italia Banking Group;
- managing risk transfer, with specific reference to insurance coverage.

Loss data

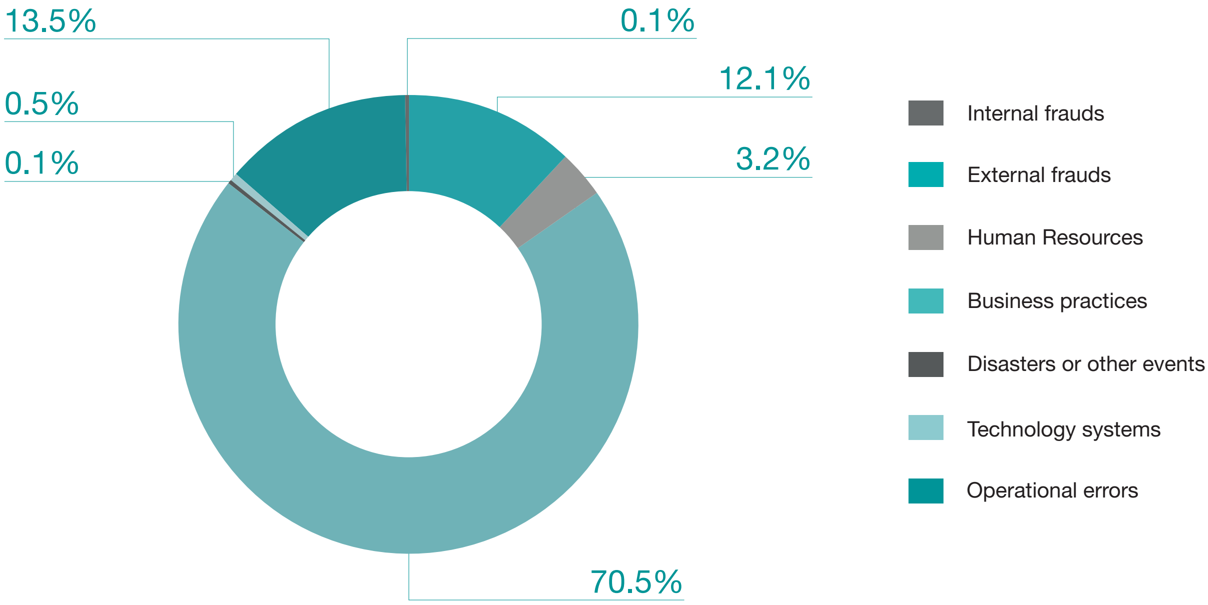
Operational losses, which the model considers as quantitative data, are collected, managed and analyzed, to different levels of granularity and detail, using an event classification scheme complying with the one set by the Basel II Framework, by the Supervisory Authority and by Crédit Agricole S.A. The basic structure is as follows:

- internal frauds: events due to deliberate acts committed by at least one party internal to the Bank and causing losses to the Bank;
- external frauds: events due to deliberate acts committed exclusively by parties that cannot be defined as internal to the Bank, generally for the purpose of personal gain;
- relations with staff and workplace safety: events relating to the relations between the company and its staff or to the failure of the workplace to meet health and safety standards. These include liabilities arising from accidents to employees in company offices or vehicles;
- business practices: events linked to the supply of products and provision of services to customers carried out in an improper or negligent manner (fiduciary requirements and adequate information on investments), as well as defects in the nature or features of products/models/contracts. These include liabilities arising from breach of public security laws or other legislation not specific to the banking sector;
- disasters or other events: events due to natural causes or human actions, which lead to damage to company resources (tangible or intangible property, persons, etc.) and/or service interruptions or other events (including improper conduct/illegal acts by third-party companies that damage the company). The category also includes liabilities arising from political changes and retroactive changes in legislation and taxation;
- technological systems and services: losses arising from the malfunctions, logical or structural defects in technological and other support systems;
- execution, delivery and management of processes: events arising from unintentional errors in the management of operational and support assets or caused by counterparties other than customers and Suppliers/Providers.

For Loss Data Collection and for reporting consolidated loss data, the Crédit Agricole Italia Banking Group has adopted an IT application especially designed for the adoption of advanced approaches, as well as specific tools and models developed directly by Crédit Agricole S.A..

QUANTITATIVE DISCLOSURES

With reference to sources of operational risk, the breakdown of net losses (gross losses net of other collection excluding insurance-related ones) by event type recognised in 2018 is given below. Any so-called "boundary losses" have been excluded.



Information and Communication Technology (ICT) Risk

Pursuant to the regulatory provisions issued by the Bank of Italy (Circular 285/13), Information and Communication Technology (ICT) Risk is defined as the "risk of suffering losses, in terms of income, reputation and market shares, associated with the use of Information and Communication Technology (ICT) [...]. In the integrated statement of corporate risks for prudential purposes (ICAAP), this type of risk is included, in accordance with specific aspects, among operational, reputational and strategic risks".

To analyze and assess ICT risks on its IT resources, the Crédit Agricole Italia Banking Group (Group) implements and develops the key concepts of the "MESARI Risk Analysis Methodology" of the Parent Company Crédit Agricole SA (C.A.sa), supplementing it, to achieve an overall representation of its risk position, with:

- the definition of the risk taxonomy of the information system;
- the outcomes of the Risk Self-Assessment Process;
- the outcomes of the process for collection of Operational Losses data;
- the outcomes of the Permanent Controls framework;
- continuous information flows on the main processes/events concerning the Information System and Information System Security, with specific reference to incident management.

The IT Risk Governance structure is now fully operational in terms of roles and responsibilities and, in 2018, some important crosswise actions were implemented to comply with regulatory requirements, such as those laid down by the Directive (EU) 2015/2366, the so-called Payment Services Directive 2 (PSD2), and the General Data Protection Regulation (EU) 2016/679 (GDPR), as well as with Group requirements, such as CARS (CA Renforcement de la sécurité).

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 to be engaged in Control of IT Risks (Information System and Information Security System - Italian acronym **PRSI**);
- the **Human Resources and Strategic Marketing Department** of the Crédit Agricole Italia Banking Group, with the Chief Information Security Officer (**CISO**) placed within this Department, for the Informa-

tion Security System scope;
- the Head of the Security Division of **Crédit Agricole Group Solutions**, who has been vested with the role of IT Security Manager (Responsable de la Sécurité Informatique) **RSI**;
- **Crédit Agricole Group Solutions** for the Information System scope (other non-Security risks).

Business Continuity Plan (Italian acronym: PCO)

In 2018, the Group continued to update and verify its Business Continuity Plan to take account of the changes in the scenario and in the Group's organisational, technology and software infrastructure.

In 2018, 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;
- consolidating the CA s.a. method for Business Continuity Management;
- the implementation, on a regular basis, of testing and certification sessions concerning the solutions for the restoration of IT Systems (both mainframe and departmental environments, networks and TLC, Security Control-room) and the critical processes in the business continuity perimeter, including special scenarios of "massive unavailability of servers or workstations (WS)" and "logic unavailability of the information system with restarting from scratch";
- full implementation of the procedures provided for by the Crisis Management Organizational Model (Italian acronym MOGC) regarding the management of data availability;
- the adequacy assessment and analysis of business continuity plans and of the relevant tests of providers of Outsourced Important Operational Functions (FOIE);
- the updating of the Business impact analysis;
- the updating of emergency 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 departments and divisions 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, which is part of the Operational Risks and Permanent Controls Division of the Risk Management and Permanent Controls Department, is responsible for the process governing the outsourcing of essential services and for defining the relevant regulation; it also has specific responsibilities for the control/monitoring phases and for management and methodological support. The FOIE/PSEE control function chairs and steers the Interfunctional Unit for the Provision of Outsourced Essential Services/Outsourced Important Operational Functions (Italian acronyms: PSEE/FOIE).

In 2018, 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 an outsourcing culture;
- 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 FOIE/PSEE control function and aimed, depending on the respective responsibilities, at acquiring all information and updates required to control compli-

ance of all relationships with vendors (in terms of agreements and performance) 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 departments and divisions concerned, for direct monitoring of FOIE-related operational risks.

In 2018, 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 deemed essential are met or continue to be met for newly-outsourced or already outsourced services being reviewed;
- analyzing and managing the critical situations that actually occurred;
- increasing awareness of the relevant Corporate Structures in order for them to implement the most suitable solutions to maintain full compliance of all outsourced services they own with the applicable legislation and regulations.

The most important results concerned the robustness of contracts with vendors and the consolidation of methods, approaches and culture on this matter, all foreboding satisfactory general quality within the outsourcing of Important Operational Functions (FOI).

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 undertaken.

B. QUANTITATIVE DISCLOSURES

B.1 Consolidated book equity: breakdown by type of enterprise

The breakdown of consolidated equity as at 31 December 2018 is given below:

Equity items	Prudential consolidation	Insurance undertakings	Other companies	Netting and adjustments on consolidation	Total 31 Dec. 2018
1. Share capital	1,352,662	-	6,298	-331,313	1,027,647
2. Share premium reserve	3,647,626	-	-	-431,282	3,216,344
3. Reserves	1,208,694	-	-832	67,792	1,275,654
4. Equity instruments	715,000	-	-	-	715,000
5. (Treasury Shares)	-5,000	-	-	5,000	0
6. Valuation reserves	-137,352	-	-	-10,634	-147,987
- Equity securities designated at fair value through other comprehensive income	-2,259	-	-	-	-2,259
- 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	-86,172	-	-	-10,634	-96,806
- Property, plant and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedging of investments in foreign operations	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
Hedging instruments (non-designated elements)	-	-	-	-	-
- Exchange rate 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	-48,921	-	-	-	-48,921
- Share 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	352,777	-	-1,308	-59,416	292,053
TOTAL	**7,134,406**	**-**	**4,158**	**-759,853**	**6,378,710**

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Assets/Values	Prudential consolidation		Insurance undertakings		Other companies		Elisions and adjustments from consolidation		Total 31 Dec. 2018	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	374	-86.546	-	-			-	-	374	-86.546
2 Equity securities	1.138	-3.398	-	-			-	-10.633	1.138	-14.031
3. Loans	-	-	-	-			-	-	-	-
TOTAL 31 DEC. 2018	**1.512**	**-89.944**	**-**	**-**	**-**	**-**	**-**	**-10.633**	**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	**37,341**	**-9,948**	**-**
2. Increases	**840**	**391**	**-**
2.1 Fair value gains	-	391	-
2.2 Net losses (recoveries) on impairment	827	X	-
2.3 Reversal to profit or loss of negative reserves	13	X	-
2.4 Transfers to other equity components (equity securities)	-	-	-
2.5 Other changes	-	-	-
3. Decreases	**-124,353**	**-3,336**	**-**
3.1 Fair value losses	-107,654	-922	-
3.2 Impairment provisions	-140	-	-
3.3 Reversal to profit or loss of positive reserves from disposal	-16,559	X	-
3.4 Transfers to other equity components (equity securities)	-	-2,414	-
3.5. Other changes	-	-	-
4. Closing Balance	**-86,172**	**-12,893**	**-**

B.4 Valuation Reserves relating to defined-benefit plans: changes for the year

	31 Dec. 2018
1. Opening balance	-46,801
2. Increases	3,947
2.1 Actuarial gains	2,305
2.2. Other changes	1,642
3. Decreases	6,067
3.1 Actuarial losses	6,032
3.2. Other changes	35
4. Closing Balance	**-48,921**

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 2018 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 activities 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 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 Activities and Conflicts of Interests with Parties associated to the Crédit Agricole Italia Banking Group", in order to give the Group a specific internal regulation 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 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 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 activities with associated persons, sets the procedures to process and approve transactions with related parties, defines specific rules with regard to transactions with related parties made by the companies belonging to the Group and lays down procedures and timeframes for the provision of reporting and appropriate documentation on the transactions (i) to independent directors/Related Party Committee, as well as, where necessary, (ii) to the control bodies.

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

Related parties

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

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

Associated Persons

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

1. Information on remuneration of senior managers with strategic responsibilities

In the light of the above-mentioned Regulation, "Managers with strategic responsibilities include persons" having direct and indirect power and responsibility over the planning, management and control of the operations of Crédit Agricole 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 man benefits awarded to Directors, Auditors and Managers tasked with strategic responsibilities.

	31 Dec. 2018
Short-term employee benefits	12,905
Benefits subsequent to severance from employment	203
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.

Pursuant to Article 5 paragraph 8 of CONSOB Resolution no. 17221 of 12 March 2010, “Public information on transactions with related parties”, the significant transactions with related parties finalized in 2018 and not in the scope of the “Single Regulation” as carried out with subsidiaries, are reported below:

- annual revision with request to increase the structure of short-term credit lines and new allocation for medium-/long-term loans with Crédit Agricole Leasing Italia;
- revision of credit lines and new medium-/long-term loans with Agos Ducato S.p.A.;
- revision for renewal and increase in the credit lines with FCA Bank S.p.A./Leasys S.p.A.;
- assignation to Crédit Agricole Italia of loans to Agos Ducato S.p.A and Leasys S.p.A.

Type of related parties	Financial assets held for trading	Financial assets through other	Financial assets measured at amortized cost: loans to customers	Financial assets measured at amortized cost: loans to banks	Financial liabilities measured at amortized cost: loans to customers	Financial liabilities measured at amortized cost: loans to banks	Guarantees issued
Controlling Company	-	-	-	540,585	-	846,023	6,023
Entities exercising significant influence on the Company	-	-	-	-	13,193	-	-
Associates	65	-	12,419	-	7,208	-	135
Directors and Managers with strategic responsibilities	-	-	3,545	-	4,487	-	-
Other related parties	5,783	400	5,694,185	503,808	859,909	333,152	95,225
TOTAL	**5,849**	**400**	**5,710,149**	**1,044,393**	**884,796**	**1,179,175**	**101,384**

MAIN INCOME TRANSACTIONS WITH RELATED PARTIES

Amounts in thousands of euro	Net interest income	Net fee and commission income	Personnel expenses
Controlling Company	-16,713	-732	-227
Entities exercising significant influence on the Company	-67	185	
Associates	283	88	
Directors and Managers with strategic responsibilities	4	200	-11,673
Other related parties	40,314	374,246	-98

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 August 2018 with the assignation of shares to 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 2023), at the end of which time each employee may freely dispose of them.

In 2018, 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 33 thousand (recognised in 2018).

PART L - SEGMENT REPORTING

Operations and income by business segment

As stated in the “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.

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

The data for the 2018 FY also report the adoption, as of 1 January 2018, of the new IFRS9.

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.

After the acquisition, which was finalized on 21 December 2017, in the reporting period Crédit Agricole Italia completed the merger by absorption of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A., which ended with the migration of information systems and was carried out in three steps, from June to September.

In terms of profit and loss, this combination had a considerable impact on the 2018 accounts, thus making the data published as at 31 December 2017 not comparable.

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

Revenues from the Retail and Private Banking channels came to euro 1,861 million and revenues from the Corporate Banking channel totalled euro 323 million.

The operating costs of the Retail and Private Banking channels came to euro 1,316 million and those of the Corporate Banking channel to euro 207 million.

Assets by segment (point volumes) mainly consisted of loans to customers, property, plant and equipment and intangible assets that can be directly allocated to the operating segments. As at 31 December 2018, assets of the Retail and Private Banking channels amounted to euro 29.6 billion, increasing vs. 31 December 2017 (up by +3%). The assets of the Corporate Banking channel also increased vs. 2017 (up by +4%) coming to euro 19.5 billion.

Liabilities by segment (point volumes) consisted of direct funding from customers, which can be directly allocated to the operating segments. Within this aggregate, the Retail and Private Banking channels accounted for euro 34.0 billion worth of funding, slightly decreasing vs. the previous year (-1%). The Corporate Banking channel, with a balance of euro 7.7 billion, decreased by -26% vs. 31 December 2017.

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

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

SEGMENT REPORTING AS AT 31 DECEMBER 2018

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	802,394	189,024	1,865	993,283
Net fee and commission income	761,238	122,994	7,315	891,547
Net profit (loss) on trading activities	4,337	7,226	2,325	13,888
Dividends	0	0	12,614	12,614
Other net operating income (item 90,100,200)	293,240	4,001	18,224	315,465
Total operating income	**1,861,209**	**323,245**	**42,343**	**2,226,797**
Losses on impairment of loans	-117,155	-135,173	- 75	-252,403
Losses on impairment of AFS financial assets and other financial transactions	0	0	-948	-948
Staff and administrative expenses and depreciation and amortization	-1,196,598	-76,890	-311,112	-1,584,600
Accruals to provisions for risks	-2,433	5,138	20,672	23,377
Total costs	**-1,316,186**	**-206,925**	**-291,463**	**-1,814,574**
Profit (losses) on equity investments	7,125	285	1,120	8,530
Impairment on goodwill	0	0	65	65
Profit on disposal of investments	0	0	118	118
Profit (loss) by segment	**552,148**	**116,605**	**-247,882**	**420,871**
Unallocated operating expenses	0	0	0	0
Operating margin	0	0	0	0
Share of profit of associates attributable to the Group	0	0	0	0
Profit before taxes	552,148	116,605	-247,882	420,871
Taxes	-171,596	-36173	78,952	-128,817
Profit for the year	**380,552**	**80,432**	**-168,930**	**292,054**
Data as at 31 Dec. 2018 Assets and liabilities				
Assets by segment	29,637,185	19,453,453	172,105	49,262,743
Equity investments in associates	0	0	27,755	27,755
Unallocated assets	0	0	14,459,051	14,459,051
Total assets	**29,637,185**	**19,453,453**	**14,658,911**	**63,749,549**
Liabilities by segment	33,973,549	7,714,698	213,539	41,901,786
Unallocated liabilities	0	0	15,469,052	15,469,052
Total liabilities	**33,973,549**	**7,714,698**	**15,682,591**	**57,370,838**

SEGMENT REPORTING AS AT 31 DECEMBER 2017

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	678,501	184,233	3,489	866,223
Net fee and commission income	626,391	100,529	7,141	734,061
Net profit (loss) on trading activities	5,892	9,432	3,156	18,480
Dividends	15	0	8,824	8,839
Other net operating income (item 90,100,190)	249,474	2,753	531,907	784,134
Total operating income	**1,560,273**	**296,947**	**554,517**	**2,411,737**
Losses on impairment of loans	-91,972	-124,801	4,037	-212,736
Losses on impairment of AFS financial assets and other financial transactions	-221	68	-24,646	-24,799
Staff and administrative expenses and depreciation and amortization	-1,000,186	-67,089	-250,221	-1,317,496
Provisioning for risks	-4,543	-25,322	-28,354	-58,219
Total costs	**-1,096,922**	**-217,144**	**-299,184**	**-1,613,250**
Profit (losses) on equity investments	6,808	301	939	8,048
Impairment on goodwill	0	0	0	0
Profit on disposal of investments	-1	0	350	349
Profit (loss) by segment	470,158	80,104	256,622	806,884
Unallocated operating expenses	0	0	0	0
Operating margin	0	0	0	0
Share of profit of associates attributable to the Group	0	0	0	0
Net profit before taxes	**470,158**	**80,104**	**256,622**	**806,884**
Taxes	-157,998	-26,918	79,913	-105,003
Profit for the year	**312,160**	**53,186**	**336,535**	**701,881**
Data as at 31 Dec. 2017 Assets and liabilities				
Assets by segment (customers + intangibles)	28,717,853	18,667,413	357,887	47,743,153
Equity investments in associates	0	0	33,868	33,868
Unallocated assets	0	0	18,935,542	18,935,542
Total assets	**28,717,853**	**18,667,413**	**19,327,297**	**66,712,563**
Liabilities by segment	34,230,518	10,384,247	14,791	44,629,556
Unallocated liabilities	0	0	15,708,895	15,708,895
Total liabilities	**34,230,518**	**10,384,247**	**15,723,686**	**60,338,451**

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 Dec. 2018
Statutory audit of annual accounts [(*)]	1,737
Certification services	214
Other services	118
TOTAL	**2,069**

[(*)] Including the costs for the statutory audit and the voluntary one.

REPORTING ON PUBLIC FUNDING PURSUANT TO ARTICLE 1, PARAGRAPH 125 OF ITALIAN LAW NO. 124 OF 4 AUGUST 2017 ("MARKET AND COMPETITION ANNUAL LAW")

Italian Law no. 124 of 4 August 2017 "Market and competition annual law" (hereinafter referred to as Law no. 124/2017), at Article 1, paragraphs from 125 to 129, provides for measures aimed at ensuring transparency in public funding. Among other things, Law 124/2017 requires entities that received public funding to provide reporting in the note to the financial statements as at 31 December 2018 - and, where applicable, in the note to the consolidated financial statements - on "grants, contributions, paid assignments and any other economic advantages of any kind" (hereinafter for short "public funding") from public administrations and entities referred to in Article 1, paragraph 125 of Law 124/2017. Any non-compliance with this reporting obligation shall entail the return of the amounts received to the entities that gave the funding. In order to avoid the accumulation of non-relevant information, the disclosure obligation shall not apply if the public funding received is lower than euro 10,000.

Despite the clarifications given by the Italian Council of State in its opinion no. 1149 of 1 June 2018, Law 124/2017 still generates some doubts on its interpretation and application, especially as regards the objective scope of application, for which reference was made also to the guidelines issued by the trade associations (Assonime). Specifically, in accordance with Law 127/2001 core principles and with the guidelines issued, the reporting obligations should not include the following cases:

- considerations for professional services provided, goods supplied or other assignment performed by the entity within its core business operations. Indeed, such considerations do not qualify as grants/subsidy public policies;
- tax benefits available to all entities that meet given conditions, based on pre-determined general criteria, which are also subject to specific reporting;
- subsidized loans given by the entity to its customers, as using funds of others (e.g. contribution to interest expenses given by the public administration) rather than funds of the bank that operates as an intermediary.

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 the Group's Companies, 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

Name of the Company	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 Carispezia S.p.A.	Joint-stock company operating in the sector of retail banking services, commercial banking services and retail intermediation services
Crédit Agricole Leasing Italia S.r.l.	Private limited liability company operating in the placement and management of lease products
Crédit Agricole Group Solutions S.c.p.a.	Not-for-profit consortium company, with the corporate purpose of providing, mainly to and/or in the interest of its shareholders, organizational, technical, IT and administrative services
Mondo Mutui Cariparma S.r.l.	Private limited liability company that was incorporated pursuant to the Italian Law on Securitization Transactions and Issue of Covered Bonds; it is currently being used for two securitization transactions
Crédit Agricole Italia OBG S.r.l.	Private limited liability company that was incorporated pursuant to the Italian Law on Securitization Transactions and Issue of Covered Bonds; it is currently being used for a Covered Bond programme
Sliders S.r.l.	Private limited liability company whose corporate purpose comprises the purchase, exchange/swap, sale and lease of property; the acquisition of equity investments to be held as non-current assets
Italstock S.r.l.	Private limited liability company whose corporate purpose comprises the purchase, exchange/swap, sale and marketing of wine and food products; acquisition of equity investments in the agri– food sector for the achievement of its corporate purpose
Crédit Agricole Real Estate Italia S.r.l.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
Unibanca Immobiliare S.r.l.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
Carice Immobiliare S.p.A.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
San Piero Immobiliare S.p.A.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
San Giorgio Immobiliare S.p.A.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
San Genesio Immobiliare S.p.A.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
Agricola Le Cicogne S.r.l.	Private limited liability company operating in the management of land and farms, both owned and of third parties

b) Revenue

Item (thousands of euro)	31 Dec. 2018
Net banking income (*)	1,932,449

b) Number of employees

Item	31 Dec. 2018
Number of employees expressed as full-time equivalents	8,509
Number of employees (*)	9,878

c) Profit or loss before taxes

Item (thousands of euro)	31 Dec. 2018
Profit on continuing operations before taxes (*)	420,870

d) Taxes on profit or loss

Item (thousands of euro)	31 Dec. 2018
Taxes on income from continuing operations (*)	-128,817

e) Government grants received

Item (thousands of euro)	31 Dec. 2018
Public grants	64

(*) Data source: 2018 Annual Report and Financial Statements of the Crédit Agricole Italia Banking Group

Crédit Agricole Italia

Annual Report and Financial Statements

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Financial highlights and ratios

As set forth in the "Statement of compliance with the International Accounting Standards", Crédit Agricole Italia, consistently with the choices made by the Crédit Agricole Group, has opted to exercise the option provided for by IFRS 9 and IFRS 1, not to restate the comparison figures of the IFRS 9 first-time adoption financial statements.

Income Statement highlights (*) (thousands of euro)	31 Dec. 2018	31 Dec. 2017	Changes	
			assolute	%
Net interest income	704,551	631,976	72,575	11.5
Net fee and commission income	682,041	545,238	136,803	25.1
Dividends	68,241	49,934	18,307	36.7
Net income from banking activities	21,596	29,799	-8,203	-27.5
Other operating income (expenses)	3,182	-13,472	16,654	
Net operating income	1,479,611	1,243,475	236,136	19.0
Operating expenses	-963,400	-738,211	225,189	30.5
Operating margin	516,211	505,264	10,947	2.2
Cost of risk (a)	-180,610	-213,479	-32,869	-15.4
Of which net value adjustments of loans	-201,209	-201,555	-346	-0.2
Net profit for the year	252,124	211,712	40,412	19.1

Balance Sheet highlights (*) (thousands of euro)	31 Dec. 2018	31 Dec. 2017 (*)	Changes	
			assolute	%
Loans to customers(^)	40,006,172	29,799,716	10,206,456	34.3
Of which Securities measured at amortized cost	3,897,200		n,a,	n.a.
Net financial assets/liabilities at fair value	30,230		n,a,	n.a.
Net financial Liabilities/Assets held for trading		-5,846	n,a,	n.a.
Financial assets measured at fair value through other comprehensive income	2,672,300		n,a,	n.a.
Financial assets available for sale		2,634,465	n,a,	n.a.
Investments held to maturity		1,569,990	n,a,	n.a.
Equity investments	1,371,395	1,493,704	-122,309	-8.2
Property, plant and equipment and intangible assets	1,670,816	1,351,237	319,579	23.7
Total net assets	48,178,435	38,536,113	9,642,322	25.0
Net Loans to banks	401,778	-2,759,378	3,161,156	
Funding from customers	39,291,595	34,114,743	5,176,852	15.2
Indirect funding from customers	52,568,026	47,314,187	5,253,839	11.1
of which: asset management	25,854,094	21,435,905	4,418,189	20.6
Equity	6,160,108	5,511,895	648,213	11.8

Operating structure	31 Dec. 2018	31 Dec. 2017	Changes	
			assolute	%
Number of employees	7,046	5,257	1,789	34.0
Average number of employees (§)	6,777	5,116	1,661	32.5
Number of branches	727	530	197	37.2

(*) Income statement and balance sheet data are those restated in the reclassified financial statements shown on pages 341 and 349
(a) The cost of risk includes provisioning for risks and charges, net value adjustments of loans and impairment of securities
(^) This item reports debt securities and loans in the amortized cost portfolio. Previously, this item reported financial assets that were not listed on an active market (Level 2 and Level 3) to customers
(§) 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 has been conventionally weighted at 50%
(*) The 2017 figures of "net financial liabilities/assets" and "net loans to banks" were reclassified to be comparable with 2018 figures

Structure ratios [*]	**31 Dec. 2018**	**31 Dec. 2017**
Loans to customers/Total net assets	74.9%	72.2%
Direct funding from customers/Total net assets	81.6%	82.6%
Asset management/Total indirect funding from customers	49.2%	45.3%
Loans to customers/Direct funding from customers	101.8%	87.4%
Total assets/Equity	9,1	8.9

Profitability ratios [*]	**31 Dec. 2018**	**31 Dec. 2017**
Net interest income/Net operating income	47.6%	50.8%
Net fee and commission income/Net operating income	46.1%	43.8%
Cost/Income ratio [^]	63.0%	55.5%
Net profit/Average equity (ROE) [a]	4.3%	4.0%
Net profit/Average Tangible Equity (ROTE) [a]	5.4%	5.0%
Net profit/Total assets (ROA)	0.5%	0.4%
Net profit/Risk-weighted assets	1.2%	1.2%

Risk ratios [*]	**31 Dec. 2018**	**31 Dec. 2017**
Gross bad loans/Gross loans to customers	3.9%	6.7%
Net bad loans/Net loans to customers	1.3%	2.9%
Impairments of loans/Net loans to customers	0.6%	0.7%
Cost of risk[b]/Operating margin	35.0%	42.3%
Net bad loans/Total Capital [c]	8.4%	18.8%
Net non-performing loans/Net loans to customers	3.8%	6.3%
Gross non-performing loans/Net loans to customers	7.6%	10.8%
Total Impairments of non-performing loans/Gross non-performing loans	51.7%	44.3%

Productivity ratios [*] **(in income terms) (thousands of euro)**	**31 Dec. 2018**	**31 Dec. 2017**
Operating expenses/No. of employees (average)	142.2	144.3
Operating income/No. of employees (average)	218.3	243.1

Productivity ratios [*] **(in financial terms) (thousands of euro)**	**31 Dec. 2018**	**31 Dec. 2017**
Loans to customers/No. of employees (average)	5,328.2	5,824.8
Direct funding from customers/No. of employees (average)	5,797.8	6,668.2
Gross banking income[f] /No. of employees (average)	18,882.8	21,741.3

Capital and liquidity ratios	**31 Dec. 2018**	**31 Dec. 2017**
Common Equity Tier 1[d]/Risk-weighted assets (CET 1 capital ratio)	18.1%	20.8%
Tier 1[e]/Risk-weighted assets (Tier 1 capital ratio)	21.5%	22.6%
Total Capital[c]/Risk-weighted assets (Total capital ratio)	25.4%	26.1%
Risk-weighted assets (euro thousands)	21,195,225	17,686,138
Liquidity Coverage Ratio (LCR)	153%	164%

[*] The ratios are based on the balance sheet and income statement data of the reclassified financial statements on pages 341 and 349
[^] Ratio calculated excluding ordinary and extraordinary contributions given 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] Common equity tier 1: CET 1
[e] Tier 1
[f] Loans to customers + Direct Funding + Indirect Funding

Management Report

OPERATING PERFORMANCE

After the acquisition, which was finalized on 21 December 2017, in the reporting period Crédit Agricole Italia completed the merger by absorption of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A., which ended with the migration of information systems and was carried out in three steps, from June to September.

In terms of profit and loss, this combination had a considerable impact on the 2018 accounts, thus making the data published as at 31 December 2017 not comparable. The most considerable impacts specifically concerned:

- balance sheet aggregates: new assets were recognised for almost euro 18 billion (approximately euro 4.8 worth of loans, euro 6.9 billion worth of direct funding and euro 6.2 billion worth of indirect funding);
- income statement aggregates: in 2018 the effects of the absorption, which had its effective date on 1 January 2018, were fully recognised.

Also net of this combination, the balance sheet aggregates are evidence of the Bank's ability to achieve significant business performances and to further improve its profitability.

As at 31 December 2018, total intermediated assets came to euro 128 billion (up by euro +17 billion vs. 31 December 2017); this performance resulted from the larger perimeter (+18 billion) as well as from the adverse performance of financial markets, which caused the reduction of the assets in customers' portfolios. Net of the above-reported effects, net growth would be 3%.

In 2018, Crédit Agricole Italia made a net profit of euro 252 million, increasing by euro 40 million vs. 2017; this increase resulted from the fact that the non-recurring expenses recognised in 2017 no longer applied and from effective control of the cost of risks.

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 "Due to customers" and "Debt securities issued" items;
- 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.

As set forth in the "Statement of compliance with the International Accounting Standards", Crédit Agricole Italia, consistently with the choices made by the Crédit Agricole Group, has opted to exercise the option provided for by IFRS 9 and IFRS 1, not to restate the comparison figures of the IFRS 9 first-time adoption financial statements.

Reclassified Balance Sheet

Assets	31 Dec. 2018	31 Dec. 2017 (*)	Changes	
			Absolute	%
Net financial assets/liabilities at fair value	30,230		n.a	n.a
Net financial liabilities/assets held for trading(*)		-5,846	n.a	n.a
Financial assets measured at fair value through other comprehensive income	2,672,300		n.a	n.a
Financial assets available for sale		2,634,465	n.a	n.a
Investments held to maturity		1,569,990	n.a	n.a
Loans to customers (^)	40,006,172	29,799,716	10,206,456	34.3
Equity investments	1,371,395	1,493,704	-122,309	-8.2
Property, plant and equipment and intangible assets	1,670,816	1,351,237	319,579	23.7
Tax assets	1,384,327	754,984	629,343	83.4
Other assets	1,043,195	937,863	105,332	11.2
TOTAL NET ASSETS	**48,178,435**	**38,536,113**	**9,642,322**	**25.0**

Liabilities	31 Dec. 2018	31 Dec. 2017 (*)	Changes	
			Absolute	%
Net Loans to banks (*)	401,778	-2,759,378	3,161,156	
Funding from customers	39,291,595	34,114,743	5,176,852	15.2
Tax liabilities	184,909	149,627	35,282	23.6
Other liabilities (§)	1,694,080	1,307,246	386,834	29.6
Specific-purpose provisions(§)	445,965	211,980	233,985	
Capital	962,672	934,838	27,834	3.0
Equity instruments	715,000	365,000	350,000	95.9
Reserves (net of treasury shares)	4,336,739	4,004,968	331,771	8.3
Valuation reserves	-106,427	-4,623	101,804	
Net profit (Loss) for the year	252,124	211,712	40,412	19.1
TOTAL EQUITY AND NET LIABILITIES	**48,178,435**	**38,536,113**	**9,642,322**	**25.0**

(*) The 2017 figures of "net financial liabilities/assets" and "net loans from banks" were reclassified to be comparable with 2018 figures
(^) This item reports debt securities and loans in the amortized cost portfolio. Previously, this item reported financial assets that were not listed on an active market (Level 2 and Level 3) to customers
(§) The "Specific-purpose provisions" sub-item shall report credit risk allowances resulting from commitments to disburse funds and financial guarantees given, which were previously reported under Other Liabilities

Reconciliation of the Official Balance Sheet and reclassified Balance Sheet

Assets	31 Dec. 2018	31 Dec. 2017 (*)
Net financial assets/liabilities at fair value	**30,230**	
20 a. Financial assets held for trading	86,039	
20 b. Financial assets designated at fair value	-	
Financial assets mandatorily measured at fair value	5,569	
20. Financial liabilities held for trading	-61,378	
30. Financial liabilities designated at fair value	-	
Net financial Liabilities/Assets held for trading		**-5,846**
40. Financial liabilities held for trading		-67,920
20. Financial assets held for trading		62,074
Financial assets measured at fair value through other comprehensive income	**2,672,300**	
30. Financial assets measured at fair value through other comprehensive income	2,672,300	
Financial assets available for sale		**2,634,465**
40. Financial assets available for sale		2,634,465
Investments held to maturity		**1,569,990**
50. Investments held to maturity		1,569,990
Loans to customers	**40,006,172**	**29,799,716**
40 b. Loans to customers	40,006,172	29,799,716
Equity investments	**1,371,395**	**1,493,704**
70. Equity investments	1,371,395	1,493,704
Property, plant and equipment and intangible assets	**1,670,816**	**1,351,237**
80. Property, Plant and Equipment	592,566	333,433
90. Intangible assets	1,078,250	1,017,804
Tax assets	**1,384,327**	**754,984**
100. Tax assets	1,384,327	754,984
Other assets	**1,043,195**	**937,863**
10. Cash and cash equivalents	224,047	155,370
120. Other assets	355,742	351,609
50. Hedging derivatives (Assets)	435,675	413,546
60. Fair value change of financial assets in macro-hedge portfolios	27,731	17,338
TOTAL NET ASSETS	**48,178,435**	**38,536,113**

Liabilities	31 Dec. 2018	31 Dec. 2017 (*)
Net Loans to banks	**401,778**	**-2,759,378**
11. Loans to banks	7,988,794	7,791,592
41 Loans from banks	-7,587,016	-10,550,970
Funding from customers	**39,291,595**	**34,114,743**
12. Loans to customers	31,121,033	26,124,339
13 Debt securities issued	8,170,562	7,990,404
Tax liabilities	**184,909**	**149,627**
60. Tax liabilities	184,909	149,627
Other liabilities	**1,694,080**	**1,307,246**
80. Other liabilities	1,007,453	633,732
40. Hedging derivatives (Liabilities)	426,993	411,806
50. Fair value change of financial liabilities in macro-hedge portfolios	259,634	261,708
Specific-purpose provisions	**445,965**	**211,980**
90. Employee severance benefits	94,809	87,565
100. Provisions for risks and charges	351,156	124,415
Capital	**962,672**	**934,838**
160. Capital	962,672	934,838
Equity instruments	**715,000**	**365,000**
130. Equity instruments	715,000	365,000
Reserves (net of treasury shares)	**4,336,739**	**4,004,968**
140 Reserves	1,218,490	1,007,041
150. Share premium reserve	3,118,249	2,997,927
Valuation reserves	**-106,427**	**-4,623**
110. Valuation reserves	-106,427	-4,623
Net Profit (Loss) for the period	**252,124**	**211,712**
180. Net Profit (Loss) for the year	252,124	211,712
TOTAL EQUITY AND NET LIABILITIES	**48,178,435**	**38,536,113**

(*) The 2017 figures of “net financial liabilities/assets” and “net Loans from banks” were reclassified to be comparable with 2018 figures

Loans to customers

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
- Current accounts	2,212,188	1,701,558	510,630	30.0
- Mortgage loans	22,427,895	18,434,421	3,993,474	21.7
- Advances and credit facilities	10,079,184	7,626,274	2,452,910	32.2
- Non-performing loans	1,389,705	1,881,988	-492,283	-26.2
Loans to customers	**36,108,972**	**29,644,241**	**6,464,731**	**21.8**
Securities measured at amortized cost	3,897,200		n,a,	n.a.
Loans represented by securities		155,475	n,a,	n.a.
TOTAL LOANS TO CUSTOMERS	**40,006,172**	**29,799,716**	**10,206,456**	**34.3**

As at 31 December 2018, loans to customers, net of debt securities, came to euro 36.1 billion, increasing by approximately 22% vs. 31 December 2017 (up by +5% as to the before acquisition perimeter).

Lending volumes continued to grow with credit quality constantly under control; the best quality component (performing loans) increased by approximately 22% YOY (up by +8.5% as to the before-acquisition perimeter) giving evidence of the constant support provided by the Bank to the real economy: strong growth was achieved in mortgage loans (especially home loans to households), which account for 62% of loans to customers (coming to euro 22.4 billion), as well as in advances and credit facilities. Non-performing loans decreased by over euro 0.7 billion (down by -34%), as to the same perimeter, thanks to the effective action to reduce the number of positions becoming non-performing, and thanks to the disposal of non-performing loans (Unlikely to Pay and Bad loans) for a total gross amount of approximately euro 1 billion (a net amount of euro 0.3 billion). These disposal transactions fall within the scope of a wider strategy for the liquidation of non-performing loans, by structuring a competitive bidding process among investors that are specialized in this asset type, thus collecting the relevant cash flows earlier than with ordinary loan collection management.

Credit quality

Items	31 Dec. 2018			31 Dec. 2017		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
- Bad loans	1,476,741	1,023,826	452,915	2,095,652	1,226,543	869,109
- Unlikely to Pay	1,370,332	462,148	908,184	1,252,411	269,619	982,792
- Past-due/overlimit loans	31,794	3,188	28,606	32,987	2,900	30,087
Non-performing loans	**2,878,867**	**1,489,162**	**1,389,705**	**3,381,050**	**1,499,062**	**1,881,988**
- Performing loans - stage 2	2,098,600	133,121	1,965,479			
- Performing loans - stage 1	32,810,973	57,185	32,753,788			
Performing loans	**34,909,573**	**190,306**	**34,719,267**	**27,877,731**	**115,478**	**27,762,253**
Loans to customers	**37,788,440**	**1,679,468**	**36,108,972**	**31,258,781**	**1,614,540**	**29,644,241**
Securities measured at amortized cost	3,900,968	3,768	3,897,200			
Loans represented by securities				155,475	-	155,475
TOTAL LOANS TO CUSTOMERS	**41,689,408**	**1,683,236**	**40,006,172**	**31,414,256**	**1,614,540**	**29,799,716**

Items	31 Dec. 2018			31 Dec. 2017		
	Gross exposure weight	Net exposure weight	Coverage ratio	Gross exposure weight	Net exposure weight	Coverage ratio
- Bad loans	3.9%	1.3%	69.3%	6.7%	2.9%	58.5%
- Unlikely to Pay	3.6%	2.5%	33.7%	4.0%	3.3%	21.5%
- Past-due/overlimit loans	0.1%	0.1%	10.0%	0.1%	0.1%	8.8%
Non-performing loans	**7.6%**	**3.8%**	**51.7%**	**10.8%**	**6.3%**	**44.3%**
- Performing loans - stage 2	5.6%	5.4%	6.3%			
- Performing loans - stage 1	86.8%	90.7%	0.2%			
Performing loans	**92.4%**	**96.2%**	**0.5%**	**89.2%**	**93.7%**	**0.4%**
TOTAL	**100.0%**	**100.0%**	**4.4%**	**100.0%**	**100%**	**5.1%**

Thanks to the aforementioned actions, the weight of (gross) non-performing loans on total loans to customers decreased from 10.8% to 7.6%; concomitantly, subsequent to new provisioning in 2018, the coverage ratio of non-performing loans improved, up from 44.3% to 51.7%: specifically, the unlikely to pay coverage ratio increased to 33.7% (21.5% in 2017) and the one of bad loans to 69.3% (58.5% in 2017).

It is pointed out that, within the Fellini Project (the acquisition by Crédit Agricole Italia of Cassa di Risparmio di San Miniato, Cassa di Risparmio di Cesena and Cassa di Risparmio di Rimini), at the time of their acquisition the acquired Banks had non-performing loans for a net amount of approximately euro 280 million (a gross amount of over euro 460 million). If these non-performing loans were recognised net of provisions, the coverage ratio of non-performing loans would came to about 49%.

Funding from customers

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
- Deposits	1,803,932	1,248,928	555,004	44.4
- Current and other accounts	29,198,789	24,741,824	4,456,965	18.0
- Other items	117,177	133,587	-16,410	-12.3
- Repurchase agreements	1,135	-	1,135	-
Loans to customers	**31,121,033**	**26,124,339**	**4,996,694**	**19.1**
Debt securities issued	**8,170,562**	**7,990,404**	**180,158**	**2.3**
Total direct funding	**39,291,595**	**34,114,743**	**5,176,852**	**15.2**
Indirect funding	52,568,026	47,314,187	5,253,839	11.1
TOTAL FUNDING	**91,859,621**	**81,428,930**	**10,430,691**	**12.8**

Giving evidence of customers' trust in Crédit Agricole Italia, total funding came to euro 92 billion (up by +13%).

In 2018, with interest rates at their all-time low, the funding strategy focused on controlling the cost of funding, which was achieved both by reducing the most costly components for the bank, such as bonds that it has issued and are held by retail customers (low rates have been causing customers to prefer products with possible higher yields, especially asset management products) and by curbing the "volatile" funding component, while continuing to have a more than satisfying liquidity position.

Furthermore, in order stabilize funding on long maturities and seizing the favourable market conditions in the first months of 2018, Crédit Agricole Italia increased funding by placing covered bonds with institutional investors for euro 500 million, within the first issue in Italy with 20-year maturity. This issue has achieved very early completion of the funding plan for 2018.

As at 31 December 2018, direct funding came to euro 39.3 billion, increasing by 15% vs. 2017; based on the same perimeter, due to the implemented corporate policies, it decreased by -4%, with a more marked decrease in the longer maturity component (debt securities issued -10%) than in liquid forms (-3%).

As at the reporting date, total indirect funding came to euro 52.6 billion (up by +11%), despite the adverse market performance that negatively impacted the value of the assets; net of this effect, net growth would have been of 20% (i.e. up by +7% YOY with the same perimeter).

Indirect funding

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
- Asset management products	11,819,079	10,475,023	1,344,056	12.8
- Insurance products	14,035,015	10,960,882	3,074,133	28.0
Total assets under management	**25,854,094**	**21,435,905**	**4,418,189**	**20.6**
Assets under administration	**26,713,932**	**25,878,282**	**835,650**	**3.2**
INDIRECT FUNDING	**52,568,026**	**47,314,187**	**5,253,839**	**11.1**

Asset management was driven mostly by products with larger social security contents and came to euro 25.9 billion, increasing by 21% vs. 2017; this increase, in terms of net growth and on the same perimeter, would be +5%. Assets under administration came to euro 26.7 billion, increasing by 3% (+8% YOY in terms of new growth and on the same perimeter).

Financial assets and liabilities measured at fair value

Item	31 Dec. 2018
Financial assets and liabilities measured at fair value through profit or loss	
- Debt securities	89
- Equity securities and units of collective investment undertakings	30,573
- Loans	6,439
- Derivative financial instruments with positive FV	54,507
Total assets	**91,608**
- Derivative financial instruments with negative FV	61,378
Total liabilities	**61,378**
NET TOTAL	**30,230**
Financial assets measured at fair value through other comprehensive income	
- Debt securities	2,438,308
- Equity securities	233,992
- Loans	-
TOTAL	**2,672,300**

As at 31 December 2018, financial assets in the Bank's book amounted to euro 6,6 billion (including euro 3.9 billion worth of assets measured at amortized cost), of which euro 6,2 worth of Italian Government securities.

In terms of classification, in accordance with the new IFRS9 requirements, the component measured at Fair Value through profit or loss was 1% of the total, the component at Fair Value through equity accounted for 40%; the most considerable component (59%) consisted of financial assets measured at amortized cost and amounted to euro 3.9 billion (classification aimed at reducing changes in equity); this allocation is consistent with the management approach adopted by the Crédit Agricole Italia Banking Group to invest liquidity, which gives preference to securities that are High Quality Liquidity Assets, optimizing their contribution to net interest income and generating positive impacts on liquidity ratios.

Government securities held

	31.12.2018		
	Nominal value	Book value	Valuation reserve
Financial assets held for trading			
Italian Government securities	11	14	X
Argentinian Government securities	25	-	X
Financial assets through other comprehensive income			
Italian Government securities	2,263,600	2,438,308	-63,462
Financial assets carried at amortized cost			
Italian Government securities	3,471,400	3,725,918	X
TOTAL	**5,735,036**	**6,164,240**	**-63,462**

The valuation reserve regarding held Government securities decreased subsequent to the increase in the BTP-SWAP spread occurred in 2018. The duration of the Government securities portfolio is 3.24.

Equity investments

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
- Subsidiaries	1,343,794	1,471,049	-127,255	-8.7
- Joint arrangements	-	-	-	-
- Investees subject to significant influence	27,601	22,655	4,946	
TOTAL	**1,371,395**	**1,493,704**	**-122,309**	**-8.2**

The Bank's "Equity investments" item came to euro 1.371 billion, decreasing vs. the end of 2017 (down by euro -122 million) resulting from the derecognition, after the merger of the subsidiaries, of the equity investments in Cassa di Risparmio di Rimini, Cassa di Risparmio di Cesena and Cassa di Risparmio di San Miniato.

Property, plant and equipment and intangible assets

As at 31 December 2018, property, plant and equipment and intangible assets came to euro 1.67 billion; the increase of euro 0.32 billion resulted from the absorption of the Fellini Banks.

Specific-purpose provisions

Specific-purpose provisions came to euro 446 million, increasing by euro 234 million vs. 2107 (up by + 6 million net of the Fellini combination). This aggregate consists of euro 95 million worth of provision for Employee severance benefits and of euro 351 million worth of provisions for risks and charges (personnel expenses, operational risks, misselling and other risks in business with customers). As of 2018, in accordance with the 5th update of Bank of Italy Circular 262, this aggregate shall report the provisioning for risks on commitments and guarantees issued (amounting to euro 30 million) as recognised in 2017 under "Other liabilities" for euro 5 million.

Equity

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
Share capital	962,672	934,838	27,834	3.0
Share premium reserve	3,118,249	2,997,927	120,322	4.0
Retained earnings reserves	1,215,675	1,004,251	211,424	21.1
Other reserves	2,815	2,790	25	0.9
Reserve for valuation of financial assets through other comprehensive income	-65,752		n.a.	n.a.
Reserves from valuation of financial assets available for sale		20,038	n.a.	n.a.
Reserves from valuation of actuarial gains (losses) relating to defined-benefit pension plans	-40,675	-24,661	16,014	64.9
Equity instruments	715,000	365,000	350,000	95.9
Net profit for the year	252,124	211,712	40,412	19.1
TOTAL (BOOK) EQUITY	**6,160,108**	**5,511,895**	**648,213**	**11.8**

Equity, including net profit for the financial year, came to euro 6.16 billion, increasing by euro 0.65 billion vs. the previous year.

In 2018, in order to meet the impacts generated by the end of Basel 3 phase-in regime and by the entry into force of the new IFRS9, Crédit Agricole Italia strengthened its equity both with a share capital increase of euro 147 million and with the issue of an Additional Tier 1 (AT1) subordinated instrument.

Moreover, within the merger by absorption of Cassa di Risparmio di San Miniato, Cassa di Risparmio di Cesena and di Cassa di Risparmio di Rimini into Crédit Agricole Italia, another 1,155,434 shares of Crédit Agricole Italia were issued, having a nominal value of euro 1 each (with no share premium), for the exchange to the minority shareholders of the absorbed banks.

Own Funds and capital ratios

Categories/Values	31 Dec. 2018	31 Dec. 2017
A. Common Equity Tier 1 - CET1 prior to the application of prudential filters	5,292,096	5,016,208
of which CET1 instruments subject to transitional provisions	-	-
B. CET1(+/-) prudential filters	-7,934	-483
C. CET1 including deductible elements and the effects of the transitional regime (A+/-B)	5,284,162	5,015,725
D. Elements to be deducted from CET1	1,444,389	1,410,570
E. Transitional regime - Impact on CET1 (+/-)	-	79,478
F. Total Common Tier 1 - CET1 (C - D+/-E)	3,839,773	3,684,633
G. Additional Tier 1 - AT1 including deductible elements and the effects of the transitional regime	715,000	365,000
of which AT1 instruments subject to transitional provisions	-	-
H. Elements to be deducted from AT1	-	-
E. Transitional regime- Impact on AT1 (+/-)	-	-44,577
L. Total Additional Tier 1 - AT1 (G-H+/-I)	715,000	320,423
M. Tier 2 - T2 including deductible elements and the effects of the transitional regime	824,174	650,000
of which T2 instruments subject to transitional arrangements	5,511	-
N. Elements to be deducted from T2	-	-
O. Transitional regime- Impact on T2 (+/-)	-	-39,277
P. Total Tier 2 -T2 (M-N+/-O)	824,174	610,723
Q. Total own funds (F+L+P)	5,378,947	4,615,779

Categories/Values	Non-weighted amounts		Weighted amounts/ requirements	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
A. RISK ASSETS				
A.1 Credit and counterparty risks	56,921,454	50,500,115	19,036,804	15,794,698
1. Standardized Approach	37,932,524	34,271,617	15,647,602	13,059,285
2. IRB approach	18,988,930	16,228,498	3,389,202	2,735,413
2.1 Foundation	-	-	-	-
2.2 Advanced	18,988,930	16,228,498	3,389,202	2,735,413
3. Securitizations	-	-	-	-
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risks			1,522,944	1,263,576
B.2 Risk of value adjustments of loans			5,016	1,499
B.3 Regulatory risk			-	-
B.2 Market risks			8,257	195
1. Standardized Approach			8,257	195
2 Internal models			-	-
3. Concentration risk			-	-
B.3 Operational risk			159,401	149,621
1. Basic indicator approach			-	-
2. Standardized approach			159,401	149,621
3 Advanced approach			-	-
B.5 Other measurement elements			-	-
B.6 Total prudential requirements (*)			1,695,618	1,414,891
C. EXPOSURES AND CAPITAL ADEQUACY RATIOS				
C.1 Risk-weighted assets			21,195,225	17,686,138
C.2 Common Equity Tier 1/Risk-weighted assets (CET 1 capital ratio)			18.1%	20.8%
C.3 Tier 1/Risk-weighted assets (Tier 1 capital ratio)			21.5%	22.6%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			25.4%	26.1%

The ratios as at al 31 December 2018 were lower than those for the previous year, although own funds increased in all their components, mainly due to the increase in risk-weighted assets (RWA), which was mostly due to the different perimeter resulting from the mergers, made in 2018, of the three banks. The common equity tier 1 ratio as at 31 December 2018 came to 18.1% (20.8% as at 31 December 2017), the Tier 1 ratio to 21.5% (22.6% as at 31 December 2017) and the total capital ratio to 25.4% (26.1% as at 31 December 2017): all ratios are well above the regulatory requirements.

As at 31 December 2018, the common equity tier 1 came to euro 3,840 million, increasing vs. the previous year (euro 3,685 million) and some of its positive components worth mentioning are the recognition under reserves of the merger surplus, the share capital increase of euro 147 million (as well as the other share capital increases totalling euro 1.2 million made in order to handle the exchange of shares to the minority shareholders of the absorbed banks) and the profit allocation as proposed by the Board of Directors to the General Meeting of Shareholders. These positive impacts were partially offset by the negative ones resulting from the adoption of the new IFRS 9, from the decrease in the valuation reserve for Government securities subsequent to the widening in the BTP-SWAP spread in 2018, the end of the Basel 3 transitional regime (end of the application of the transitional arrangements provided for by the supervisory regulations for banks: Regulation (EU) no. 575/2013; Bank of Italy Circular no. 285) and to higher deductions from Common Equity Tier 1 in the period relating to DTA impact generated by the new developments in the Italian tax policy.

As at 31 December 2018, the Tier 1 came to euro 4,555 million, increasing vs. the previous year (euro 4,005 million), and this figure reports also the issue of an Additional Tier 1 subordinated instrument for euro 350 million. As at 31 December 2018, the Total Capital came to euro 5,379 million, increasing vs. the previous year (euro 4,616 million), and this figure reports also the issue of a Lower Tier 2 subordinated instruments for euro 100 million.

Crédit Agricole Italia 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 came to euro 21,195 million, increasing vs. 2017 (+3.5 billion, +19.8%). This increase resulted, on the one hand, from the merger of the three Fellini banks, the development in business and the effects on DTA generated by the Budget Law approved at the end of 2018; on the other hand, it resulted from the use of the advanced approach (Internal Rating Based - Advanced AIRB) on the retail portfolio of the banks merged in the year and from the decrease in defaulted exposures subsequent to the sales of non-performing loans made in year.

PROFIT OR LOSS

Income Statement reclassification

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

The reclassifications concerned the following:

- the 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 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;
- “Profit (losses) on disposal or repurchase of securities classified as financial assets measured at amortized cost” and “Profit (losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income” and “Profit (losses) on 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 recognised 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 recognised under “Other operating income/costs”;
- “Net provisions for risks and charges regarding commitments and guarantees issued” 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”.

Reclassified income statement

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
Net interest income	704,551	631,976	72,575	11.5
Net fee and commission income	682,041	545,238	136,803	25.1
Dividends	68,241	49,934	18,307	36.7
Profit (loss) on trading activities	21,596	29,799	-8,203	-27.5
Other operating income (expenses)	3,182	-13,472	16,654	
Net operating income	1,479,611	1,243,475	236,136	19.0
Personnel expenses	-533,457	-409,992	123,465	30.1
Administrative expenses	-384,288	-297,728	86,560	29.1
Amortization of intangible assets and depreciation of property, plant and equipment	-45,655	-30,491	15,164	49.7
Operating expenses	**-963,400**	**-738,211**	**225,189**	**30.5**
Operating margin	**516,211**	**505,264**	**10,947**	**2.2**
Net provisioning for risks and charges	22,131	-11,924	34,055	
Net impairments of loans	-201,209	-201,555	-346	-0.2
Impairment of securities	-1,532		n,a,	n.a.
Profit (loss) on other investments	-1,317	236	-1,553	
Profit (loss) on continuing operations before taxes	**334,284**	**292,021**	**42,263**	**14.5**
Taxes on income from continuing operations	-82,160	-80,309	1,851	2.3
NET PROFIT (LOSS) FOR THE YEAR	**252,124**	**211,712**	**40,412**	**19.1**

Reconciliation between the Official and the Reclassified Income Statements

	31.12.2018	31.12.2017
Net interest income	**704,551**	**631,976**
30. Net interest income	708,113	594,701
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	-3,562	-5,193
130. Net losses on impairment of: a) loans of which time value on non-performing loans (*)		42,468
Net fee and commission income	**682,041**	**545,238**
60. Net fee and commission income	676,132	522,789
60. Net fee and commission income: of which penalty for Lower Tier 2 repayment/settlement	-	12,993
190. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	5,909	9,456
Dividends and similar income = item 70	**68,241**	**49,934**
Net income from banking activities	**21,596**	**29,799**
80. Net profit (loss) on trading activities	7,488	13,772
90. Net profit (loss) on hedging activities	-7,073	-8,832
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	3,562	5,193
100. Profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	464	
100. Profit (loss) on disposal or repurchase of:: b) financial assets measured at fair value through other comprehensive income	13,947	
100. Profit (loss) on disposal or repurchase of: c) financial liabilities	258	
100. Profit (loss) on disposal or repurchase of: a) loans of which debt securities classified as loans		-
100. Profit (loss) on disposal or repurchase of: b) financial assets available for sale		33,650
100. Profit (loss) on disposal or repurchase of: d) financial liabilities		-991
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	2,950	
110. Net profit (loss) on financial assets and liabilities measured at fair value		-
60. Net fee and commission income: of which penalty for Lower Tier 2 repayment/settlement	-	-12,993
Other operating income (expenses)	**3,182**	**-13,472**
200 Other operating expenses/income	237,467	217,212
To deduct: expenses recovered	-233,201	-203,653
To deduct: recovered expenses for the management of non-performing loans	-4,004	-6,226
To deduct: Commission income from Fast Loan Application Processing	-5,909	-9,456
130. Net losses on impairment of: b) financial assets available for sale		-18,500
220 Gains (Losses) on equity investments of which Price Adjustment for disposal of equity investments	8,829	7,151
Net operating income	**1,479,611**	**1,243,475**
Personnel expenses = item 160 a)	**-533,457**	**-409,992**
Administrative expenses	**-384,288**	**-297,728**
160 Administrative expenses: b) other administrative expenses	-635,980	-516,062
200. Other operating expenses/income: of which expenses recovered	233,201	203,653
160. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	18,491	14,681
Depreciation of property, plant and equipment and amortization of intangible assets	**-45,655**	**-30,491**
180. Net adjustments of/recoveries on property, plant and equipment	-22,648	-14,131
190 Net adjustments of/recoveries on intangible assets	-23,007	-16,360
Operating expenses	**-963,400**	**-738,211**
Operating margin	**516,211**	**505,264**
Impairment on goodwill = item 240	**-**	**-**
Net provisioning for risks and charges = Item 170 b) other net provisioning	**22,131**	
Net provisioning for risks and charges = Item 160		**-11,924**
Net impairments of loans	**-201,209**	**-201,555**
100 Profit (loss) on disposal or repurchase of: a) financial assets measured at amortized cost	-6,423	
To deduct profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	-464	
100. Profit (loss) on disposal of: a) loans		-10,215
to deduct: profit (loss) on disposal or repurchase of debt securities classified as loans		-
130 Net adjustments for credit risk of: a) financial assets measured at amortized cost	-186,104	
To deduct: net adjustments for credit risk of: a) securities classified as financial assets measured at amortized cost	953	
130. Net losses on impairment of: a) loans		-139,397
130. Net losses on impairment of: a) loans of which time value on non-performing loans (*)		-42,468
130. Net losses on impairment of: d) other financial transactions		-1,020
140. Profits/Losses on contract modifications without derecognition	-970	
160. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	-18,491	-14,681
To deduct: recovered expenses for the management of non-performing loans	4,004	6,226
170. Net provisioning for risks and charges: a) commitments and guarantees given	6,286	
Impairment of securities	**-1,532**	
130 Net adjustments for credit risk of: a) securities classified as financial assets measured at amortized cost	-953	
130. Net adjustments for credit risk of:: b) financial assets measured at fair value through other comprehensive income	-579	
Profit (loss) on other investments	**-1,317**	**236**
220. Profit (losses) on equity investments	7,410	7,151
to deduct Profits (Losses) on equity investments: of which Price Adjustment on disposal of equity investments	-8,829	-7,151
230. Profit (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
250. Profit (losses) on disposals of investments	102	236
PROFIT (LOSS) ON CONTINUING OPERATIONS BEFORE TAXES	**334,284**	**292,021**
Taxes on income from continuing operations = item 270	**-82,160**	**-80,309**
NET PROFIT (LOSS) FOR THE YEAR	**252,124**	**211,712**

(*) The 5th update of Bank of Italy Circular 262 requires interest with time value effects, determined on impaired financial assets, to be recognised in net interest income, management reclassification made in 2017

Net operating income

Net operating income came to euro 1,480 billion, increasing by euro 236 million (up by +19%) vs. 2017. The 2018 net operating income reports the effects generated both by the development in business and by the different perimeter resulting from the absorption of the Fellini Banks that was effective as of 1 January 2018.

Net interest income

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
Loans to customers measured at amortised cost	596,491	502,928	93,563	18.6
Loans to banks measured at amortised cost	-26,718	-8,876	17,842	
Debt securities issued	-94,238	-85,195	9,043	10.6
Differentials on hedging derivatives	135,729	145,200	-9,471	-6.5
Financial assets held for trading	598	8	590	
Financial assets measured at fair value through profit and loss	-		n,a	n.a
Financial assets measured at amortized cost	47,700		n,a	n.a
Financial assets measured at fair value through other comprehensive income	45,043		n,a	n.a
Other net interest income	-54	-3		
Investments held to maturity		8,530	n,a	n.a
Financial assets available for sale		69,384	n,a	n.a
NET INTEREST INCOME	**704,551**	**631,976**	**72,575**	**11.5**

In a scenario featuring still modest economic growth and still negative interest rates, net interest income came to euro 704 million, increasing by euro 73 million (up by +12% vs. the previous financial year). The increase on net interest income from loans to customers (up by euro +94 million) was partially reduced by the higher cost on Debt securities issued and interest expenses on Loans to banks. As regards finance, the higher interest income from Securities held (up by euro 14 million) went along with a lower contribution from differentials on hedges (down by euro -9 million).

Dividend income

Dividends from shareholdings and equity investments came to euro a 68.2 million vs. euro 49.9 million in 2017. The component from the Group's banks (Crédit Agricole FriulAdria and Crédit Agricole Carispezia) came to euro 56.0 million, increasing vs. euro 42.2 million in 2017.

Net fee and commission income

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
- guarantees issued	4,495	658	3,837	
- collection and payment services	42,485	31,231	11,254	36.0
- current accounts	164,840	133,178	31,662	23.8
- debit and credit card services	29,504	22,803	6,701	29.4
Commercial banking business	**241,324**	**187,870**	**53,454**	**28.5**
- securities intermediation and placement	147,414	126,287	21,127	16.7
- intermediation in foreign currencies	3,459	2,983	476	16.0
- asset management	8,096	8,057	39	0.5
- distribution of insurance products	195,603	161,210	34,393	21.3
- other intermediation/management fee and commission income	33,541	22,456	11,085	49.4
Management, intermediation and advisory services	**388,113**	**320,993**	**67,120**	**20.9**
Other net fee and commission income	**52,604**	**36,375**	**16,229**	**44.6**
TOTAL NET FEE AND COMMISSION INCOME	**682,041**	**545,238**	**136,803**	**25,1**

Net fee and commission income came to euro 682 million (up by +25%) and account for 46% of operating income (44% in 2017). Management and intermediation activities contributed with euro 388 million (up by +21%), thanks to the good performance of the insurance business (+21%) that has been benefiting from the synergies with the companies of the Crédit Agricole Group in Italy (Crédit Agricole Vita and Crédit Agricole Assicurazioni).

Worth noting, also thanks to the different perimeter, was the performance achieved in traditional banking business (+29%), driven by the increase in collection and payment services (+36%).

Net income from banking activities

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
Interest rates	5,473	-4,711	10,184	
Stocks	-2,704	307	-3,011	
Foreign exchange	4,950	4,169	781	18.7
Commodities	27	23	4	17.4
Total profit (losses) on financial assets held for trading	7,746	-212	7,958	
Total profit (losses) on assets held for hedging	-3,511	-3,639	-128	-3.5
Net profit (loss) on financial assets and liabilities at fair value	2,950	-	2,950	-
Total profit (losses) on securities measured at amortized cost	464		n.a.	n.a.
Total profit (losses) on securities through other comprehensive income	13,947		n.a.	n.a.
Profit (losses) on disposal of financial assets available for sale		33,650	n.a.	n.a.
PROFIT (LOSS) ON BANKING ACTIVITIES	**21,596**	**29,799**	**-8,203**	**-27.5**

The contribution to the Income Statement of net income from banking activities came to euro 21.6 million, decreasing (down by -28%) vs. the previous year because of lower capital gains on the banking book.

Other operating income (expenses)

Other net operating income came to euro 3.2 million, vs. -13.5 million in 2017: this improvement (+16.7 million) resulted mainly from the fact that the non-recurring components recognised in 2017 no longer applied in 2018 (impairment of a financial asset available for sale recognised subsequent to the contribution to the Voluntary Scheme for euro 25.2 million), mitigated by euro 14 million resulting from the favourable outcome of a settlement with Intesa Sanpaolo.

Operating expenses

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
- wages and salaries	-372,615	-291,540	81,075	27.8
- social security contributions	-98,411	-77,505	20,906	27.0
- other personnel expenses	-62,431	-40,947	21,484	52.5
Personnel expenses	**-533,457**	**-409,992**	**123,465**	**30.1**
- general operating expenses	-41,035	-28,145	12,890	45.8
- IT services	-140,190	-91,749	48,441	52.8
- direct and indirect taxes	-92,856	-73,066	19,790	27.1
- real estate property management	-40,664	-36,287	4,377	12.1
- legal and other professional services	-21,616	-25,355	-3,739	-14.7
- advertising and promotion expenses	-11,614	-9,174	2,440	26.6
- indirect personnel expenses	-9,112	-7,219	1,893	26.2
- contributions to support the banking system	-31,201	-23,868	7,333	30.7
- other expenses	-229,201	-206,518	22,683	11.0
- expenses and charges recovered	233,201	203,653	29,548	14.5
Administrative expenses	**-384,288**	**-297,728**	**86,560**	**29.1**
- intangible assets	-23,007	-16,360	6,647	40.6
- property, plant and equipment	-22,648	-14,131	8,517	60.3
Depreciation and amortization	**-45,655**	**-30,491**	**15,164**	**49.7**
OPERATING EXPENSES	**-963,400**	**-738,211**	**225,189**	**30.5**

Operating expenses came to euro 963 million, increasing by euro 225.2 million (+31%) vs. the previous period. This increase resulted from the absorption of the Fellini Banks, which was effective in terms of income as of 1 January 2018.

Personnel costs came to euro 533 million (+30%); this increase mainly resulted from the different perimeter and, to a residual extent, to the remaining portions of pay increases pursuant to the applicable Italian national collective bargaining agreements, seniority pay increase and provisioning to the voluntary redundancy fund, holidays and days off accrued and not taken and hour bank.

Administrative expenses came to euro 384 million (+29%). In 2018, the activities aimed at cost optimization continued, through the rationalization of the network and of the real estate and logistic area. IT expenses increased due to higher costs for software maintenance as required subsequent to the investments provided for in the Medium-Term Plan (MTP).

Depreciation and amortization came to euro 45.7 million; the increase of euro 15 million vs. 2017, net of the different perimeter, resulted from the investments made consistently with the MTP.

Net Provisions for risks and charges

In 2018, the “Net Provisions for risks and charges” item had a positive mismatch of euro 22 million as the result of provisioning for risks on revocatory actions and litigation totalling euro 5 million, and reversals of provisions for euro 27 million subsequent to the renegotiation of some supply and cooperation contracts with suppliers and product companies that used to work with the Fellini Banks; in 2017, the balance of this item reported provisions totalling euro 12 million.

Net impairments of loans

Items	31 Dec. 2018	31 Dec. 2017	Changes	
			Absolute	%
- Bad loans	-83,162	-155,072	-71,910	-46.4
- Unlikely to Pay	-123,565	-52,993	70,572	
- Past-due loans	-1,595	-2,168	-573	-26.4
Non-performing loans	**-208,322**	**-210,233**	**-1,911**	**-0.9**
- Performing loans - stage 2	14,221		n.a.	n.a.
- Performing loans - stage 1	2,064		n.a.	n.a.
Performing loans	**16,285**	**18,284**	**-1,999**	**-10.9**
Net losses on impairment of loans	**-192,037**	**-191,949**	**88**	**-**
Profits/Losses on contract modifications without derecognition	-970		n.a.	n.a.
Expenses/recovered expenses for loan management	-14,488	-8,455	6,033	71.4
Net losses on impairments of guarantees and commitments	6,286	-1,151	7,437	
Net impairments of loans	**-201,209**	**-201,555**	**-346**	**-0.2**

Effective control of the cost of credit was one of the main factors for the good performance achieved in 2018.

Net impairments of loans came to euro 201 million, in line with the same figure for 2017 despite the wider perimeter of loans to customers. In percentage terms, the ratio that expresses the cost of credit risk (the ratio of the relevant adjustments taken to the Income Statement to net loans to customers) decreased to 56 bps vs. 68 bps in the previous year, even with increasing coverage ratios of non-performing loans. Indeed, as regards the single types of non-performing loans, impairment adjustments of Unlikely to Pay came to euro 124 million (vs. euro 53 million in 2017), thanks to which the coverage ratio increased from 21.5% in 2017 to 33.7%, while impairment adjustments of bad loans (euro 83 million) resulted in a higher coverage ratio coming to 69.3%.

Profit (loss) on continuing operations before taxes

Profit on continuing operations before taxes came to euro 334 million, increasing vs. 2017 by euro 42 million.

Taxes on income from continuing operations

Current taxes and deferred tax liabilities came to euro 82.2 million, increasing by euro 1.9 million vs. the previous year. Net of the specific corporate income tax (IRES) on dividends from equity investments, the tax burden came close to 29.4%, vs. 32% in the previous year. This decrease mainly resulted from Allowance for Corporate Equity (ACE) benefits linked to the acquisition and merger of the new banks, which will not apply again as this tax benefit was terminated effective as of 2019; it also resulted from an improvement in the estimated recoverable amounts on the Italian Regional Tax on Productive Activities (IRAP) applying on the IFRS 9 FTA, with a modest benefit that also will no apply again.

Net profit (loss)

The profit for the period (coming to euro 252 million) increased vs. the previous year (up by euro +40 million, i.e. +19%).

Comprehensive income

Items			31 Dec. 2018	31 Dec. 2017
10.	**10.**	**Profit (Loss) for the year**	**252,124**	**211,712**
		Other comprehensive income after taxes not reclassified to profit or loss		
20.		Equity securities designated at fair value through other comprehensive income	-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.	20.	Property, Plant and Equipment	-	-
60.	30.	Intangible assets	-	-
70.	40.	Defined-benefit plans	-16,014	48
80.	50.	Non-current assets held for sale and discontinued operations	-	-
90.	60.	Share of valuation reserve on equity investments accounted for with the equity method:	-	-
		Other income components reclassified to profit or loss		
100.	70.	Hedging of investments in foreign operations:	-	-
110.	80.	Foreign exchange differences	-	-
120.	90.	Cash flow hedges	-	-
130.		Hedging instruments (non-designated elements)	-	-
	100.	Financial assets available for sale		678
140.		Financial assets (other than equity securities) measured at fair value through other comprehensive income	-86,659	
150.	110.	Non-current assets held for sale and discontinued operations	-	-
160.	120.	Share of valuation reserve on equity investments accounted for with the equity method:	-	-
170.	**130.**	**Total other comprehensive income after taxes**	**-103,123**	**726**
140.	**140.**	**COMPREHENSIVE INCOME (ITEM 10+170)**	**149,001**	**212,438**

Comprehensive income consists of the profit for the period and of the changes in assets directly recognised in equity reserves; in 2018 equity reserves decreased in value by a total of euro 103 million, of which euro 87 million for the decrease in the prices of securities (mostly Italian Government securities) recognised as “financial assets measured at fair value through other comprehensive income” and euro 16 million worth of adjustments of actuarial reserves for “defined-benefit” plans. To the contrary, in 2017, there were no significant impacts on reserves. Consequently, 2018 comprehensive income came to euro 149 million vs. euro 212 million in 2017. 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 that must be taken into account when analyzing the table.

OTHER INFORMATION

SHARE CAPITAL INCREASE

In the first half of the reporting year, in order to meet the impacts generated by the end of Basel 3 phase-in regime and by the entry into force of the new IFRS9, the Parent Company Crédit Agricole Italia strengthened its Common Equity Tier 1 with a share capital increase of euro 147 million (of which: euro 26,678,766 of share capital contribution and euro 120,321,234 as share premium reserve).

AT1 ISSUE

In December 2018, Crédit Agricole Italia issued an Additional Tier 1 subordinated debt instrument for euro 350 million; in line with the Group policies, this instrument was also subscribed by Crédit Agricole S.A.

LT2 ISSUE

Crédit Agricole Italia made a new issue of LT2 instruments, for euro 100 million, fully subscribed by the Parent Company Crédit Agricole S.A..

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 related parties" 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

The analysis of any atypical and/or unusual transactions, in accordance with the definition given in CONSOB Regulation 11971/99, is reported in Part H of the Note to the Financial Statements, to which reference is made. In the year, no atypical or unusual transactions were carried out having such size/materiality that might jeopardize or affect 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 FriulAdria'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 and governments, also appropriate policies for constant enhancement of the monitoring of risks and uncertainties of financial players, such as the ones implemented by the 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.

APPROACH TO SUSTAINABILITY AND OTHER NON-FINANCIAL ASPECTS

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

Complying with such obligations, the Crédit Agricole Italia Banking Group has prepared its consolidated Non-Financial Statement (NFS) as at 31 December 2018, in accordance with Decree 254, which is stand-alone document separate from the Management Report but an integral part of the documentation regarding the 2018 Annual Report and Financial Statements. As required by the applicable legislation, the NFS reports information relating to environmental matters, social and employee-related matters, respect for human rights, anti-corruption and anti-bribery matters, as relevant in accordance with the features of the Group’s Banks, for full disclosure and reporting on them and on the resulting impacts.

VALERY PROJECT

Complying with the recommendations given in the ECB “Guidance to banks on non-performing loans” - in the reporting year, the Crédit Agricole Italia Banking Group designed a strategic plan aimed at reducing its NPL stock through market transactions, the “Valery” project.

The plan has been structured as a set of transactions spread over the year, which attracted leading players in the Italian and international markets to the competitive procedure.

Overall, the project resulted in the disposal of NPEs totalling euro 1,016 million and consisting of Unlikely-to-Pay and bad loans, thus materially contributing to the reduction of the NPE gross rate, which, as at the reporting date, came to 7.63% (net 3.8%) at the Group level, one of the lowest in the market. The NPE ratio of Crédit Agricole Italia came to 7.62% as the gross value and to 3.85% as the net value.

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

For the Report on corporate governance and ownership structure, 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 2018, 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, accompanied by the Management Report.

The proposal for the allocation of the net profit amounting to euro 252,124,086 is as follows:

5% to the legal reserve	12,606,204
To the fund for charity and support to social and cultural initiatives	1,300,000
To the shareholders in the amount of euro 0.1313 to each one of the 979,232,509 [(*)] outstanding ordinary shares	128,573,228
To extraordinary reserve	109,644,654

In accordance with the applicable legislation, the dividend shall be payable effective from 09 May 2019 and with ex-coupon date on 3 May 2019.

Parma, Italy, 26 March 2019

The Chairman of the Board of Directors

Ariberto Fassati

[(*)] This figure may change subsequent to the possible exercise of warrants

Certification of compliance of the Annual Report and 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 Financial Statement during the course of the 2018 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 2018:

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, 26 March 2019

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 962.672.212,00 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

Building a better working world

Crédit Agricole Italia S.p.A.

Financial statements as at December 31, 2018

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.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

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, 2018, 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, 2018 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.

We identified the following key audit matters:

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
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Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Key Audit Matter	Audit Response
First time application of the International Financial Reporting Standard 9 - Financial Instruments	
On January 1, 2018 the International Financial Reporting Standard 9, endorsed by the European Commission on November 22, 2016 with Regulation no 2016/2067 (the "Standard" or "IFRS 9") became effective, replacing the standard IAS 39 in relation to the classification and measurement of financial instruments. As required by IAS 8 "Accounting policies, changes in accounting estimates and errors" and in accordance with the first time application approach required by IFRS 9, the Bank accounted for in the opening balances the negative cumulative effects derived from the transition to the new Standard, for an amount of Euro 347 million, including non-controlling interests' share. Moreover, the Bank has exercised the option foreseen by the Standard not to restate the comparative data. The IFRS 9 first time application was a relevant aspect for the audit both because the impacts on financial figures have been significant for the financial statements as a whole and for the implementation required in terms of processes, controls, valuations models and IT systems. The disclosure on the effects of the first time application of IFRS 9 is provided in the paragraph "Disclosure on first-time application of IFRS 9 – Financial instruments" of the notes to the financial statements.	In relation to this matter, our audit procedures included, among others: • understanding and analysis of the main accounting and application choices made, in relation to the classification and valuation of financial instruments; • understanding and analysis, also with the support of our specialists in valuations of financial instruments and IT systems, of the processes and controls implemented in relation to the IFRS 9 first time application and the execution of test on key controls, including those relating to IT, in order to verify their operational effectiveness; • understanding and analysis, with the support of our specialists in valuations of financial instruments, including non performing loans, and IT systems, of the calculation by the Bank of the first time application adjustments and performance of substantive procedures aimed at verifying their consistency with the requirements of the Standard; • analysis of the adequacy of the disclosures provided in the notes to the financial statements.
Classification and evaluation of loans to customers	
Loans to customers measured at amortised cost presented in line item 40 b) of the balance sheet amount to about Euro 40 billion as at December 31, 2018, and represent approximately 72% of total assets. The classification and valuation of loans to customers is relevant for the audit because the value of loans is significant for the financial statements as a whole and because the value of the related impairment losses is determined by	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, with the support of our specialists in IT systems, in order to verify their operational effectiveness;

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 mortgage 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, in Part B - Information on the balance sheet, in Part C - Information on the income statement and in Part E - Information on risks and related hedging policies of the notes to the financial statements.

- 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 IFRS 9 first time application 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;
- analysis of 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, 2018 amounts to Euro 922 million and is entirely

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

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 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 2019 and the medium-long term financial forecast for the period 2020-2023.

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

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

- an understanding of the method for determining the recoverable amount adopted by the Bank, as part of 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 2018 with the corresponding budget figures, in order to understand the reasons underlying the main differences.

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

Recoverability of the "non-convertible" deferred tax assets

The item 100 "Tax assets" of the balance sheet includes deferred tax assets amounting to Euro 1,137 million, of which Euro 549 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, almost entirely attributable to Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato acquired at the end of 2017 and merged during 2018, and from other deductible temporary differences.

In order to ascertain the existence of the

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's forecasted income statement and balance sheet and of the additional

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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 solely of the Bank, as well as on the fiscal consolidation of the Crédit Agricole Italia Banking Group.

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:

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

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

assumptions used for the purpose of estimating 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*.

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

Accounting of the mergers by absorption carried out during the year

During the year ended December 31, 2018 the Bank finalized the mergers by absorption of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A. (hereinafter also the "Casse"), with effective date for accounting and tax purposes as of January, 1 2018.

These transactions, as they involving entities under common control, do not represent business combinations as per IFRS3 and therefore they fall outside from 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 their economic substance, recognized these transactions in accordance with the

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 the Casse and of the related merger deeds;
- 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 mergers by absorption accounting;
- understanding of the Management's process and controls in relation to the IT migration of the Casse's accounting balances on the Bank's IT systems and verification on a

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 the absorbed banks as of the effective date for accounting purposes of the merger.

Furthermore, also during the financial year, the IT migration of the three merged Casse's accounting balances into the Bank's IT system was carried out.

The disclosure regarding the mergers by absorption is provided in Part A - Accounting policies and Part G – Business combinations of the notes to the financial statements.

sample basis of the related accounting entries.

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

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

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

The Directors are responsible for assessing the 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; 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, 2018, 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, 2018 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, 2018 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, March 29, 2019

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

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

FINANCIAL STATEMENTS

BALANCE SHEET

Assets			31 Dec. 2018	31 Dec. 2017
10.	10.	Cash and cash equivalents	224,047,364	155,369,633
20.		Financial assets measured at fair value through profit or loss	91,608,363	
		a) financial assets held for trading;	86,038,934	
		b) financial assets designated at fair value;	-	
		c) other financial assets mandatorily measured at fair value	5,569,429	
	20.	Financial assets held for trading		62,074,133
	30.	Financial assets measured at fair value		-
30.		Financial assets measured at fair value through other comprehensive income	2,672,299,598	
	40.	Financial assets available for sale		2,634,465,236
	50.	Investments held to maturity		1,569,990,409
40.		Financial assets measured at amortized cost	47,593,188,577	
	60.	a) loans to banks	7,587,016,412	10,550,970,046
	70.	b) loans to customers (*)	40,006,172,165	29,799,716,470
50.	80.	Hedging derivatives	435,674,665	413,546,339
60.	90.	Fair value change of financial assets in macro-hedge portfolios (+/-)	27,731,183	17,338,199
70.	100.	Equity investments	1,371,395,122	1,493,703,547
80.	110.	Property, Plant and Equipment	592,566,085	333,433,227
90.	120.	Intangible assets	1,078,250,171	1,017,803,869
		- of which goodwill	922,339,723	922,339,723
100.	130.	Tax assets	1,384,327,005	754,984,383
		a) current	246,951,367	175,262,009
		b) deferred	1,137,375,638	579,722,374
		b1) pursuant to Italian Law No. 214/2011		525,865,949
110.	140.	Non-current assets held for sale and discontinued operations	-	-
120.	150.	Other assets	355,742,465	351,605,707
TOTAL ASSETS			**55,826,830,598**	**49,155,001,198**

(*) This item reports debt securities and loans in the amortized cost portfolio. Previously, this item reported financial assets that were not listed on an active market (Level 2 and Level 3) to banks and customers

As set forth in the “Statement of compliance with the International Accounting Standards”, the Crédit Agricole Italia Banking Group, consistently with the choices made by the Crédit Agricole Group, has opted to exercise the option provided for by IFRS 9 and IFRS 1, not to restate the comparison figures of the IFRS 9 first-time adoption financial statements.

Liabilities and equity items			31 Dec. 2018	31 Dec. 2017
10.		Financial liabilities measured at amortized cost	47,280,388,951	
	10.	a) Loans to banks	7,988,793,638	7,791,591,667
	20.	b) Loans to customers	31,121,033,253	26,124,338,715
	30.	c) Debt securities issued	8,170,562,060	7,990,403,845
20.	40.	Financial liabilities held for trading	61,377,962	67,919,874
30.		Financial liabilities designated at fair value	-	
	50.	Financial liabilities measured at fair value		-
40.	60.	Hedging derivatives	426,993,410	411,805,731
50.	70.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	259,634,105	261,707,732
60.	80.	Tax liabilities	184,908,944	149,627,132
		a) current	109,970,868	107,006,929
		b) deferred	74,938,076	42,620,203
70.	90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80.	100.	Other liabilities	1,007,452,794	633,731,920
90.	110.	Employee severance benefits	94,809,024	87,564,799
100.	120.	Provisions for risks and charges	351,156,526	124,414,521
		a) commitments and guarantees given (*)	30,006,941	
		b) post-employment and similar obligations	35,621,262	15,130,916
		c) other provisions for risks and charges	285,528,323	109,283,605
110.	130.	Valuation reserves	-106,426,600	-4,622,875
120.	140.	Redeemable shares	-	-
130.	150.	Equity instruments	715,000,000	365,000,000
140.	160.	Reserves	1,218,489,888	1,007,040,547
150.	170.	Share premium reserve	3,118,249,355	2,997,927,458
160.	180.	Capital	962,672,153	934,837,845
170.	190.	Treasury shares (+/-)	-	-
180.	200.	Net Profit (Loss) for the period	252,124,086	211,712,287
TOTAL LIABILITIES AND EQUITY			**55,826,830,598**	**49,155,001,198**

(*) The “commitments and guarantees given” item shall report credit risk allowances resulting from commitments to disburse funds and from financial guarantees given, which were previously reported under Other liabilities

INCOME STATEMENT

Items			31.12.2018	31.12.2017
10.	10.	Interest and similar income (*) (§)	699,898,986	737,455,901
		Of which: interest income calculated with the effective interest method	695,217,544	
20.	20.	Interest and similar expenses (*)	8,214,024	(142,755,374)
30.	**30.**	**Net interest income**	**708,113,010**	**594,700,527**
40.	40.	Fee and commission income	710,367,521	564,486,455
50.	50.	Fee and commission expense	(34,235,616)	(41,696,748)
60.	**60.**	**Net fee and commission income**	**676,131,905**	**522,789,707**
70.	70.	Dividends and similar income	68,240,640	49,934,338
80.	80.	Net profit (loss) on trading activities	7,487,745	13,772,455
90.	90.	Net profit (loss) on hedging activities	(7,072,866)	(8,831,757)
100.	100.	Profit (losses) on disposal or repurchase of:	7,781,116	22,443,717
		a) financial assets measured at amortized cost	(6,423,394)	
		b) financial assets measured at fair value through other comprehensive income	13,946,603	
		c) financial liabilities	257,907	
		a) loans		(10,214,922)
		b) financial assets available for sale		33,649,586
		c) investments held to maturity		-
		d) financial liabilities		(990,947)
110.	110.	Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	2,950,428	-
		a) financial assets and liabilities designated at fair value	16	
		b) other financial assets mandatorily measured at fair value	2,950,412	
		Net profit (loss) on financial assets and liabilities measured at fair value		-
120.	**120.**	**Net interest and other banking income**	**1,463,631,978**	**1,194,808,987**
130.	130.	Net losses/recoveries for credit risk on:	(186,682,970)	(158,917,047)
		a) financial assets measured at amortized cost	(186,104,287)	
		b) financial assets measured at fair value through other comprehensive income	(578,683)	
		a) loans (*)		(139,396,790)
		b) financial assets available for sale		(18,500,182)
		c) investments held to maturity		-
		d) other financial assets		(1,020,075)
140.		Profits/Losses on contract modifications without derecognition	(970,018)	
150.	**140.**	**Net income from banking activities**	**1,275,978,990**	**1,035,891,940**
160.	150.	Administrative expenses:	(1,169,437,029)	(926,055,095)
		a) personnel expenses	(533,456,661)	(409,992,596)
		b) other administrative expenses	(635,980,368)	(516,062,499)
170.		Net provisions for risks and charges	28,417,912	
		a) commitments and guarantees given	6,286,456	
		b) other net provisions	22,131,456	
	160.	*Net provisions for risks and charges*		(11,923,818)
180.	170.	Net adjustments of/recoveries on property, plant and equipment	(22,647,790)	(14,131,513)
190.	180.	Net adjustments of/recoveries on intangible assets	(23,007,339)	(16,359,710)
200.	190.	Other operating expenses/income	237,467,517	217,211,349
210.	**200.**	**Operating costs**	**(949,206,729)**	**(751,258,787)**
220.	210.	Profit (losses) on equity investments	7,409,832	7,151,465
230.	220.	Profit (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
240.	230.	Impairment on goodwill	-	-
250.	240.	Profit (losses) on disposals of investments	102,082	236,297
260.	**250.**	**Profit (Loss) before tax from continuing operations**	**334,284,175**	**292,020,915**
270.	260.	Taxes on income from continuing operations	(82,160,089)	(80,308,628)
280.	**270.**	**Profit (Loss) after tax from continuing operations**	**252,124,086**	**211,712,287**
290.	280.	Profit (Loss) after tax from discontinued operations	-	-
300.	**290.**	**Net Profit (Loss) for the period**	**252,124,086**	**211,712,287**

(*) The 5th update of Circular 262 requires that differentials on hedging derivatives, related to single items/technical forms, be reported under interest income or interest expense in accordance with the algebraic sign of interest (income or expense) of the single item/technical form that derivative contracts change. Previously, the balance of all differentials on hedging derivatives was reported, in accordance with the related algebraic sign, under interest income or interest expenses.
(§) The 5th update of Circular 262 requires that interest with time value effects, determined on impaired financial assets based on the original effective interest rate, be recognised under interest and similar income. Previously, writebacks with time value effects, equal to interest accrued in the period based on the original effective interest rate, were reported under net losses/recoveries on impairment of loans.

As set forth in the "Statement of compliance with the International Accounting Standards", Crédit Agricole Italia, consistently with the choices made by the Crédit Agricole Group, has opted to exercise the option provided for by IFRS 9 and IFRS 1, not to restate the comparison figures of the IFRS 9 first-time adoption financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Items			31 Dec. 2018	31 Dec. 2017
10.	**10.**	**Net Profit (Loss) for the period**	**252,124,086**	**211,712,287**
		Other comprehensive income net of tax not reclassified to profit or loss		
20.		Equity securities designated at fair value through other comprehensive income	(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.	20.	Property, Plant and Equipment	-	-
60.	30.	Intangible assets	-	-
70.	40.	Defined-benefit plans	(16,014,068)	47,410
80.	50.	Non-current assets held for sale and discontinued operations	-	-
90.	60.	Share of valuation reserve on equity investments accounted for with the equity method:	-	-
		Other income components reclassified to profit or loss	**-**	**-**
100.	70.	Hedging of investments in foreign operations:	-	-
110.	80.	Foreign exchange differences	-	-
120.	90.	Cash flow hedges	-	-
130.		Hedging instruments (non-designated elements)	-	-
	100.	Financial assets available for sale		678,415
140.		Financial assets (other than equity securities) measured at fair value through other comprehensive income	(86,659,198)	
150.	110.	Non-current assets held for sale and discontinued operations	-	-
160.	120.	Share of valuation reserve on equity investments accounted for with the equity method:	-	-
170.	**130.**	**Total other comprehensive income after taxes**	**(103,122,308)**	**725,825**
180.	**140.**	**Comprehensive income (Item 10+170)**	**149,001,778**	**212,438,112**

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 that must be taken into account when analyzing the table.

As set forth in the “Statement of compliance with the International Accounting Standards”, Crédit Agricole Italia, consistently with the choices made by the Crédit Agricole Group, has opted to exercise the option provided for by IFRS 9 and IFRS 1, not to restate the comparison figures of the IFRS 9 first-time adoption financial statements.

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018

	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 YEAR								
Changes 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 CHANGES IN EQUITY AS AT 31 DECEMBER 2017

	Capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Profit (Loss) for the year	Shareholders' equity
			Retained earnings	ther				
EQUITY AS AT 31 DEC. 2016	**876,761,620**	**2,736,003,683**	**932,405,316**	**2,789,346**	**-5,348,700**	**200,000,000**	**205,021,525**	**4,947,632,790**
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR								
Reserves	-	-	86,936,877	-	-	-	-86,936,877	
Dividends and other allocations	-	-	-	-	-	-	-118,084,648	-118,084,648
CHANGES FOR THE YEAR								
Change in reserves	-	-	549,170	-	-	-	-	549,170
Transactions on equity								
Issues of new shares	58,076,225	261,923,775	-	-	-	-	-	320,000,000
Purchase of treasury shares	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-15,640,162	-	-	165,000,000	-	149,359,838
Derivatives on treasury shares	-	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	725,825	-	211,712,287	212,438,112
EQUITY AS AT 31 DEC. 2017	**934,837,845**	**2,997,927,458**	**1,004,251,201**	**2,789,346**	**-4,622,875**	**365,000,000**	**211,712,287**	**5,511,895,262**

STATEMENT OF CASH FLOWS

	31 Dec. 2018	31.12.2017
A. OPERATING ACTIVITIES		
1. Operations	**731,921,127**	**658,235,765**
- Profit (Loss) for the year (+/-)	252,124,086	211,712,287
- "Gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair through profit or loss(-/+)"	101,390	-5,824,898
- Gains/losses on hedging activities (-/+)	18,490,453	7,722,218
- Net losses/recoveries for credit risk on (+/-)	155,409,264	141,425,467
- Net adjustments of/recoveries on property, plant and equipment and intangible assets (+/-)	45,655,129	30,491,223
- Net provisions for risks and charges and other costs/revenues (+/-)	-28,417,912	11,923,818
- Unpaid taxes and tax credits (+)	82,160,089	80,308,628
- Net adjustments /recoveries on discontinued operations net of tax effect (-/+)	-	-
- Other adjustments (+/-)	206,398,628	180,477,022
2. Cash flow generated/absorbed by financial assets	**301,141,553**	**-3,874,572,719**
- Financial assets held for trading	-14,510,573	27,021,514
- Financial assets designated at fair value	-	-
- Financial assets mandatorily measured at fair value	4,579,290	-
- Financial assets measured at fair value through other comprehensive income	-2,418,949	
- Financial assets available for sale		1,506,856,488
- Financial assets measured at amortized cost	131,060,388	
- Loans to banks: on demand		90,432,743
- Loans to banks: other receivables		-4,256,639,559
- Loans to customers		-1,085,212,024
- Other assets	182,431,397	-157,031,881
3. Cash flow generated/absorbed by financial liabilities	**-3,122,372,094**	**4,611,165,140**
- Financial liabilities measured at amortized cost	-3,038,638,707	
- Loans to banks: on demand		538,294,343
- Loans to banks: other due and payables		1,208,679,125
- Loans to customers		2,720,629,003
- Debt securities issued		463,146,689
- Financial liabilities held for trading	-10,736,405	-25,933,398
- Other liabilities	-72,996,982	-293,650,622
Net cash flow generated/absorbed by operating activities	**-2,089,309,414**	**1,394,828,186**
B. INVESTING ACTIVITIES		
1. Cash flow generated by:	**79,996,476**	**51,562,259**
- sales of equity investments	11,731,336	-
- dividend received on equity investments	68,240,640	49,934,338
- sales of property, plant and equipment	24,500	859,338
- sales of intangible assets	-	-
- sales of business units	-	768,583
2 Cash flow absorbed by:	**1,715,871,057**	**-1,794,229,346**
- purchases of equity investments	-374,911	-181,763,187
- purchases of investments held to maturity		-1,569,990,409
- purchases of property, plant and equipment	-21,924,906	-42,475,750
- purchases of intangible assets	-43,003	-
- purchases of business units	1,738,213,877	-
Net cash flows generated/absorbed by investing activities	**1,795,867,533**	**-1,742,667,087**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	148,156,205	320,000,000
- issues/purchases of equity instruments	326,228,659	149,359,838
- distribution of dividends and other	-112,265,252	-118,084,648
Net cash flows generated/absorbed by funding activities	**362,119,612**	**351,275,190**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	**68,677,731**	**3,436,289**

RECONCILIATION

Financial Statement items	31 Dec. 2018	31 Dec. 2017
Opening cash and cash equivalents	155,369,633	151,933,344
Total net increase/decrease in cash and cash equivalents for the year	68,677,731	3,436,289
Cash and cash equivalents: foreign exchange effect	-	-
Closing cash and cash equivalents	**224,047,364**	**155,369,633**

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

As set forth in the “Statement of compliance with the International Accounting Standards”, Crédit Agricole Italia, consistently with the choices made by the Crédit Agricole Group, has opted to exercise the option provided for by IFRS 9 and IFRS 1, not to restate the comparison figures of the IFRS 9 first-time adoption financial statements.

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 Dec. 2017	Changes from cash flows generated by financing activities	Changes from obtaining or losing control of subsidiaries or other businesses	Fail value changes	Other changes	31 Dec. 2018
Liabilities arising from financing activities (items 10, 20 and 30 of Liabilities)	41,974,254,101	5,290,883,500	-	76,629,312	-	47,341,766,913

The increase resulted mainly from the merger by absorption of the Fellini Banks. Net of this effect, funding would have decreased, especially as regards due to customers.

NOTE TO THE FINANCIAL STATEMENTS
PART A - ACCOUNTING PRINCIPLES

A.1 GENERAL

Section 1 – Declaration of conformity with international accounting principles

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 - 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 2018 (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 5th update published on 22 December 2017

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND ENTERED INTO FORCE IN 2018

Standards, amendments or interpretations	Date of publicatio	Date of first application
IFRS 9 Financial instruments Replacement of IAS 39 Financial Instruments: Recognition and Measurement	22 november 2016 (UE n° 2067/2016)	1 January 2018
IFRS 15 Revenue from Contracts with customers Replacement of IAS 11 Construction Contracts and IAS 18 Revenue	22 september 2016 (UE n° 1905/2016)	1 January 2018
Clarifications to IFRS 15 Revenue from Contracts with customers	9 november 2017 (UE n° 1987/2017)	1 January 2018
Annual Improvements to IFRS 2014–2016 Cycle: • IAS 28 Investments in Associates and Joint Ventures • IFRS 1 Additional Exemptions for First-time Adopters	7 february 2018 (UE n° 182/2018)	1 January 2018 1 January 2018
Amendments to IFRS 2: Classification and measurement of share-based payment transactions	26 february 2018 (UE n° 289/2018)	1 January 2018
Amendment to IAS 40 – Transfers of Investment Property: Clarifying when assets are transferred to, or from, investment properties	14 march 2018 (UE 2018/400)	1 January 2018
Amendment to IFRS 4 Insurance Contracts Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	3 november 2017 (UE n° 1988/2017)	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration Clarifications on IAS 21	3 april 2018 (UE n° 519/2018)	1 January 2018

The 2018 Financial Statements of Crédit Agricole Italia have been prepared for the first time in accordance with IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with customers".

IFRS 9 "Financial Instruments" has replaced IAS 39 "Financial instruments: recognition and measurement" and applies for reporting periods starting on or after 1 January 2018. IFRS 9 was endorsed by the European Union on 22 November 2016 and published in the Official Journal of the European Union on 29 November 2016.

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

IFRS 9 shall apply retrospectively with mandatory effective date on 1 January 2018 with adjustments to opening items on the first-adoption date; it does not require restatement of comparative data for the 2017 FY but it provides for optional restatement. Having regard to the representation of IFRS 9 first-time adoption effects, Crédit Agricole Italia has decided to exercise the option provided for in paragraph 7.2.15 of IFRS 9 and in paragraphs E1 and E2 of IFRS 1 "First time adoption of International Financial Reporting"; in accordance with these paragraphs, without prejudice to the retrospective application of the new measurement and recognition requirements of the standard, restating of prior year figures in the first-time adoption financial statements is not mandatory. In accordance with the instructions contained in the document issuing the 5th update of Bank of Italy Circular no. 262 "Banks' financial statements: layout and preparation", banks that opt for the exemption from the obligation to restate comparative figures shall nevertheless include a statement of reconciliation in their first financial statements prepared in accordance with the new update of Circular no. 262 and the statement of reconciliation shall set forth the method use and shall reconcile the figures as per the latest approved financial statements and the first financial statements in accordance with the new requirements. This information is given below, in the "Information on the first-time adoption of IFRS 9 - Financial Instruments" paragraph, in a table, in accordance with the independence given to the relevant corporate bodies as regards the form and contents of such information. For more exhaustive reporting on IFRS 9 developments, please refer to Part A.2- Part reporting on the main financial statement items.

IFRS 15 "Revenue from Contracts with customers" has replaced IAS 11 Construction Contracts, IAS 18 Revenue, as well as all related interpretations, namely IFRIC 13 customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

In accordance with this standard, revenue from transaction associated with provision of services shall be recognised when control on the service provision is transferred to the customer, if it can be reliably estimated. This transfer may occur as the service is provided (ongoing service) or on a specific date (one-off service). Fees and commissions to be paid or collected, or not yet earned, shall be progressively recognised as the performance obligation is satisfied over time.

As regards the application of IFRS 15, based on the analyses carried out, the accounting treatment of the main cases of revenues from contracts with customers' was found already compliant with the new standard; therefore, no material quantitative impacts have been generated on the Bank's equity as recognised by the first-time adoption of the standard.

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

For its financial statements as at 31 December 2018, Crédit Agricole Italia did not adopt standards and interpretations that, on 31 December 2018, had already been published by the IASB and endorsed by the European Union, but that are applicable to reporting starting on or after 1 January 2019.

Standards, amendments or interpretations	Date of publication	Date of first application
IFRS 16 Leases Replacement of IAS 17 for recognition of leases	31 October 2017 (UE n° 1986/2017)	1 January 2019
Amendment to IFRS 9 – Financial instruments Prepayment Features with Negative Compensation	22 March 2018 (UE n° 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	23 October 2018 (UE 2018/1595)	1 January 2019

IFRS 16 "Leases", applicable to annual reporting periods starting on or after 1 January 2019, shall replace IAS 17 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 changes 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 "Rights of use" approach.
Therefore, the reporting entity shall recognize all leases in which it is the lessee in the balance sheet:

- future lease payments shall recognised under financial liabilities as Lease Liability, which reports the obligation to make future payments and is discounted at the marginal rate of discount (the liability decreases in accordance with payments made);
- the right of use, expressed in the contracts, shall be recognised reporting the value of the asset as a separate lease component, under property, plant and equipment and shall be calculated as the present value of the future lease payments, with a subsequent impact on RWAs.

In the income statement:
- the asset recognised as right of use shall be depreciated over the lease term of validity on a straight-line basis (impact on income from operations);
- interest expenses shall be calculated on the financial liability upon the lease payments (impact on financial expenses and income from banking activities);
- the lease payments shall no longer be recognised under administrative expenses.

In 2018, the analysis work continued involving various structures of the Bank, with a special focus on the development of IT solutions for the management of all contracts falling within the scope of application of the new standard.

Upon its first-time adoption, the Crédit Agricole Italia Banking Group applied the modified retrospective approach pursuant to paragraph C.5 b) of IFRS 16 recognizing the cumulative effect of its first-time adoption as at the transition date (1 January 2019); consequently, no impacts are expected on the Bank's equity. Conversely, the adoption of the new standard is expected to generate impacts on capital ratios, which have been estimated as a decrease of approximately 14 bps in the CET1 Capital ratio and of approximately 20 bps in the Total Capital ratio, subsequent to the increase in RWAs.

In determining the scope of application of the new standard, the Group exercised the options for the exemptions listed below:
- short-term leases (with a contractual term equal to or less than 12 months);
- leases of low-value assets (lease contracts for assets worth less than euro 5 thousand).

INTERNATIONAL ACCOUNTING STANDARDS NOT YET ENDORSED BY THE EUROPEAN UNION

The standards and interpretations that, as at 31 December 2018, 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 the IASB on IASB document	Date of entry into force of the expected date of endorsement	Expected date of endorsement by the UE
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	(Note 1)	(Note 1)
IFRS 17 Insurance Contracts	May 2017	1 January 2021	TBD
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until the completion of the IASB project on the equity method	Postponed pending the completion of the IASB project on the equity method
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	October 2017	1 January 2019	2019
Annual Improvements to IFRS Standards (2015-2017 Cycle)	December 2017	1 January 2019	2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	February 2018	1 January 2019	2019
Amendments to References to the Conceptual Framework in IFRS Standards	March 2018	1 January 2020	2019
Definition of business (Amendments to IFRS 3)	October 2018	1 January 2020	2019
Definition of material (Amendments to IAS 1 and IAS 8)	October 2018	1 January 2020	2019

(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.

ANNUAL IMPROVEMENTS TO IFRS 2015-2017 CYCLE

The IASB published several amendments to and interpretations of the existing standards, which generated no considerable impacts for Crédit Agricole Italia. 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 and by Crédit Agricole Italia 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 the Parent Company 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. The IFRIC 23 interpretation “Uncertainty over Income Tax Treatments” shall be applicable to reporting periods starting on or after 1 January 2019.

BANK OF ITALY - CIRCULAR NO. 262 “BANKS’ FINANCIAL STATEMENTS: LAYOUT AND PREPARATION” - 6TH UPDATE

On 30 October 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 shall replace 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.

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, 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 down in the Bank of Italy Circular no. 262 of 22 December 2005 “Banks’ financial statements: layout and preparation” (5th update published on 22 December 2017).

The Annual Report and Financial Statements as at 31 December 2018 have been prepared on a going-concern basis, since Crédit Agricole Italia is believed to continue in operation in the foreseeable future.

As regards the reporting required pursuant to IFRS 7 on the risks which Crédit Agricole 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 recognised 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 recognised values for this reporting period may vary, even to a significant extent, in future periods, subsequent to any changes in the subjective assessments used.

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

- quantifying losses resulting from the impairment of loans and of other financial assets in general;
- 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 2015 "BANKS' FINANCIAL STATEMENTS: LAYOUT AND PREPARATION": 5TH UPDATE

On 22 December 2017, the Bank of Italy issued the 5th update of Circular no. 262 of 22 December 2005 "Banks' financial statements: layout and preparation" in order to implement IFRS 9 "Financial Instruments" (which was endorsed with Regulation (EU) 2016/2067 of 22 November 2016) and the subsequent amendments to other international accounting standards, including IFRS 7 "Financial Instruments: disclosures".

The update also covers the new IFRS 15 "Revenue from Contracts with customers" (which was endorsed with Regulation (EU) 2016/1905 of 22 September 2016). The update, which is a full revision of the Circular, shall apply to the financial statements with reporting dates on or after 31 December 2018.

The main developments in the regulation on financial statements concern:

1. classification and measurement of financial assets: the financial statement layouts and the table in the note to the financial statements are compliant with the new reporting approach by accounting portfolios of financial instruments required by IFRS 9 (financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost);
2. impairment model based on the recognition of expected losses: the note to the financial statements has been amended to comply with the reporting requirements (qualitative and quantitative) concerning the methods to manage credit risk and the recognition and measurement of expected losses pursuant to IFRS 7;
3. hedging policies: the new reporting requirements pursuant to IFRS 7 having regard to IFRS 9 have been implemented. However, IFRS 9, at paragraph 7.2.21, gives the option to reporting entities to continue to apply IAS 39 "Financial Instruments: Recognition and Measurement" to hedging policies. The bank intermediaries exercising that option shall report the required information in the ways they deem the most appropriate.

On the one hand, the amendments have continued to take into account the need to ensure that financial reporting is as consistent as possible with the EU harmonized supervisory reporting of consolidated financial information (FINREP); on the other hand, they have continued to consider the need to confirm some information, currently included in the financial statements, which is relevant for correct assessment of intermediaries' operations.

Furthermore, the note to the financial statements complies with the reporting requirements pursuant to Principle 8 "Disclosure" of EBA "Guidelines on credit institutions' credit risk management practices and accounting for expected credit losses".

As regards comparative information (T-1), the Bank of Italy has specified that, in case the reporting entity exercises the option not to restate the comparative figures pursuant to paragraphs E.1 and E.2 of IFRS 1 "First-time Adoption of International Financial Reporting Standards", its first financial statements prepared in accordance with this update shall include a statement of reconciliation setting forth the approach used and reconciling the figures as per the latest approved financial statements and the first financial statements prepared in accordance with the new requirements. The relevant corporate bodies are free to decide the form and contents of such disclosure.

Within its First Time Adoption of IFRS 9, Crédit Agricole Italia exercised the option, as provided for by the transitional provisions of the aforementioned standards, not to restate comparative figures; therefore, the impacts resulting from the first-time adoption have been reported with an adjustment of the consolidated equity opening balances as at 1 January 2018 and are reported in a specific section. The balance sheet and income statement balances for the previous financial year, as prepared pursuant to IAS 39, are not fully comparable to the new accounting categories and to the related measurement bases pursuant to the new standard. As regards the closing balances of the previous year, in order to ensure the best possible comparability of the relevant items, Crédit Agricole Italia opted for:

- reporting the figures of balance sheet and income statement items not impacted by IFRS9 under the same financial statement item;

- separately reporting the financial statement items covering the financial and P/L balances of financial instruments within the scope of application of IFRS 9; therefore, the closing balances of such items as at 31 December 2018 are not stated but are reported under the new financial statement items provided for by Circular no. 262.

This is why the tables in the fair value reporting section and in the explanatory notes, show, along with the data as at 31 December 2018, the comparative balance only for the items that, in the financial statements, have a balance both for the reporting and for the previous one. Otherwise, the tables are given in double (tables as at 31 December 2018 and, separately, tables as at 31 December 2017) as these data are not fully comparable.

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 (5th update published on 22 December 2017).

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 recognised in the year as balancing items of the valuation reserves, net of the related tax effect.

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

Negative amounts are set forth in parenthesis.

STATEMENT OF CHANGES IN EQUITY

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

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

CONTENTS OF THE NOTE TO THE FINANCIAL STATEMENTS

The Note to the Financial Statements contains the information required by 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.

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 been stated also.

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

Section 3 – Events after the reporting period

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 20,625 shares in Crédit Agricole Italia S.p.A. were issued on 9 April 2019 having a nominal value of euro 1.

On 26 February 2019, the Extraordinary General Meeting of the Shareholders of Crédit Agricole Cariparma resolved to change the company's name into Crédit Agricole Italia. The 2018 Annual Report and Financial Statements have been prepared using the new name Crédit Agricole Italia.

In 2019, the rationalization of the Group's physical structures is going to continue with the closure of 82 branches of Crédit Agricole Italia.

On 16 November 2018, the Boards of Directors of Crédit Agricole Italia 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 16,539,731.00 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.
Subsequent to the aforementioned resolution, the authorized share capital of Crédit Agricole Italia amounts to euro 979,211,943.00 and is subdivided into 979,211,943 ordinary shares having a nominal value of euro 1 each.
The merger is expected to become legally effective by the end of July 2019.

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 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. The option for the Tax Consolidation scheme was renewed also for the 2018-2020 three-year period and 5 new companies joined the scheme.

This regime provides for the consolidated companies to transfer their taxable income (or their tax loss) to the Consolidating Entity Crédit Agricole Italia S.p.A., 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 recognises 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 recognise due and payables/receivables from the consolidating entity.

In its separate Financial Statements, the Consolidating Entity recognises 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 recognised in the items:

- "Financial assets measured at amortized cost - loans to 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 recognised 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 consists of the companies based in Italy having at the same time financial, economic and organisational links in force between them, as provided for by Italian Ministerial Decree of 6 April 2018 and by Circular no. 19/2018.

The VAT Group consists of 15 CA entities and Crédit Agricole Italia is the VAT Group Representative Member.

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, general, the transactions between the Group member entities are not subject to VAT.

INDEPENDENT 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 24 April 2012, whereby this Firm was assigned the audit task for the period 2012-2020.

SHARE CAPITAL INCREASE

In the first half of the reporting year, in order to meet the impacts generated by the end of Basel 3 phase-in regime and by the entry into force of the new IFRS9, Crédit Agricole Italia strengthened its Common Equity Tier 1 with a share capital increase of euro 147 million (of which: euro 26,678,766 of share capital contribution and euro 120,321,234 as share premium reserve).

Subsequent to the merger by absorption of Cassa di Risparmio di San Miniato S.p.A. into Crédit Agricole Italia S.p.A., finalized on 24 June 2018, another 556,030 shares in Crédit Agricole Italia were issued, having a nominal value of euro 1 (with no share premium), for the exchange to the minority shareholders of the absorbed bank.

Subsequent to the merger by absorption of Cassa di Risparmio di Cesena S.p.A. into Crédit Agricole Italia S.p.A., finalized on 22 July 2018, another 430,711 shares in Crédit Agricole Italia were issued, having a nominal value of euro 1 (with no share premium), for the exchange to the minority shareholders of the absorbed bank.

Subsequent to the merger by absorption of Cassa di Risparmio di Rimini S.p.A. into Crédit Agricole Italia S.p.A., finalized on 9 September 2018, another 168,693 shares in Crédit Agricole Italia were issued, having a nominal value of euro 1 (with no share premium), for the exchange to the minority shareholders of the absorbed bank.

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 108 shares in Crédit Agricole Italia S.p.A. were issued having a nominal value of euro 1.

A.2 MAIN ITEMS OF THE FINANCIAL STATEMENTS

STATEMENT ITEMS (IFRS 9, IAS 39 AND IAS 32)

DEFINITIONS

IAS 32 defines a financial instrument as a 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 recognised in the financial statements in accordance with IFRS 9, as endorsed by the Europe Union.

IFRS 9 regulates 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 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

On 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, in 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 measured at fair value through profit or loss;
- financial assets measured at amortized cost;
- financial assets measured at fair value through 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 '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 defines how a cluster of financial assets is collectively managed in order to fullfill a corporate objective 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 are 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 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 applies 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 Crédit Agricole Italia, in line with the Crédit Agricole Italia Banking Group, the sale of financial assets classified in the HTC business model 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. frequent but not significant sales;
d. infrequent sales.

Specifically:

a) Sales allowed due to siginificant 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% (this difference must not take fair value hedge into account).

c) The sales are frequent but not significant

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) The sales are not frequent.

- 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:

a. significant in credit risk;
b. loans close to maturity and with a sale price that approximates the remaining contractual cash flows;
c. frequent but not significant sales;
d. infrequent sales that are potentially significant.

Specifically:

a) Sales allowed due to significant 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 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 sale price and the amortized cost of the loan shall not be higher than 3%. This difference should not take fair value hedge effects into account and be over 3% This difference should not take fair value hedge effects into account.

c) The sales are frequent but not significant

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.

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.

SPPI testing upon FTA

At the first-time adoption of the new standard, the procedures were structured for the testing of the characteristics of contractual cash flows (SPPI Test) and the business models were formalized. As regards SPPI testing of financial assets, the securities and loans as at 31 December 2017 were analyzed, in order to determine their proper classification at the First Time Adoption (FTA) of the new standard. Specifically, as regards debt securities, the characteristics of the cash flows of the instruments recognised at amortized cost and as financial assets available for sale in accordance with IAS 39 were thoroughly analyzed. No securities were to be reclassified for having failed the SPPI test. At the first-time adoption of IFRS 9, the units of OICR collective investment undertakings (open-end funds and closed-end funds) held by the Group were categorized as held in accordance with the “Other” Business Model and, therefore, they were classified as financial assets held for trading measured at fair value through profit or loss; for the sake of completeness, it is pointed out that, based on the thorough analyses carried out and on the clarifications given by the IFRS Interpretation Committee, the OICR units for which the set Business Model is “Hold to Collect and Sell” shall be classified as assets mandatorily measured at fair value through profit or loss, as the SPPI test is considered failed.

For the loan portfolio, the Bank has determined modular analyses to be carried out considering the essential standardization of the lending contracts; for tailor-made products, the test was performed on an adequately selected sample based on significance. Also for loans, no significant impacts were found within the transition to the new standard as regards classification.

As of 1 January 2018, the SPPI testing shall be concomitant with the structuring of every new standard product and of every new “tailor made” product.

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 other comprehensive income 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 recognised at the settlement date and their initial measurement includes accrued interest and transaction costs.

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 measured at fair value through other comprehensive income with recycling

Debt instruments shall be measured at fair value through other comprehensive income with recycling if they are eligible for the HTC&S model and if they pass the ‘SPPI’ test.

They are reognised 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 reognised 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 reognised through other comprehensive income (with recycling) as the financial asset balancing item (excluding interest accrued taken to the Income Statement with the EIR method).

In case of sale, such changes are recycled to profit and loss.

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

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 fair value through profit or loss as they do not comply with the ‘SPPI’ test requirements. For instance, this is the case of OICR collective investment undertakings;
- 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 recognised at fair value, excluding transaction costs (directly recognised 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 value of the financial assets on the balance sheet.

This category of financial assets is not subject to impairment.

Debt instruments measured at fair value through profit or loss are recognised at the settlement date.

Equity instruments

Equity instruments are recognised at fair value through profit or loss, unless an irrevocable option for their measurement measured at fair value through other comprehensive income (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 recognised at fair value, excluding transaction costs (directly recognised in the income statement). They are recognised 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 measured at fair value through other comprehensive income without recycling (irrevocable option)

The irrevocable option to recognise equity instruments measured at fair value through other comprehensive income without recycling may be exercised for each single transaction and shall apply as of the date of initial recognition. These securities are recognised at their settlement date. The initial fair value includes transaction costs.

At subsequent measurements, fair value changes are recognised 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 recognised in equity.

Only collected dividends are recognised through 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 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 recognised.

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 recognised 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 recognised through other comprehensive income shall be derecognised 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 recognised 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 or loss, the financial asset continues to be measured at fair value. Accumulated profit (loss) previously recognised through other comprehensive income shall be reclassified from “through other comprehensive income” to “through profit or loss” 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 delivered 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 recognises 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 recognised 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 derecognised if:

- the contractual rights to the cash flows from the financial asset expire;
- the contractual rights to the cash flows from the financial asset 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 derecognised 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 recognised 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.

Financial liabilities at fair value through profit or loss by their nature

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 recognised through profit or loss

Financial liabilities designated at fair value through profit or loss

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 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. Only requalification (debt instrument versus equity instrument) may take place.

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 recognised as deduction from 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 recognised 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 recognised 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 recognised:

- through profit or loss for derivative instruments held for trading or for fair value hedging;
- through 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 recognises a net amount when and only when it has a legally enforceable right to offset the recognised 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 measured at fair value through other comprehensive income

For financial assets rmeasured at fair value through other comprehensive income, this item notably reports the following income statement elements:

- dividends from equity instruments classified as financial assets measured at fair value through other comprehensive income without recycling;
- gains (losses) on disposals and net income associated with the termination of hedging relationships on debt instruments classified as financial assets measured at fair value through other comprehensive income with recycling;
- net income on disposals or associated with the termination of fair value hedging instruments of financial assets measured at fair value through other comprehensive income when the hedged item is sold

COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED

Commitments to disburse funds 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 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 the "Impairment" section of IFRS 9;
- the amount originally recognised less, where applicable, the costs recognised in accordance with IFRS 15 "Revenue from Contracts with customers".

COMMITMENTS TO DISBURSE FUNDS

Scope of application

In compliance with the IFRS 9, Crédit Agricole Italia recognises impairment with write-downs representing Expected Credit Losses (ECL) on the categories of financial assets given below:

- financial assets consisting of debt instruments measured at amortised cost or measured at fair value through 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;
- lease receivables falling under the IAS 17 scope of application;
- 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 through other comprehensive income 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 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 Bank.

The impairment model for credit risk has three stages:

- stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee...), the entity shall recognise expected credit losses over 12 months;
- stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall

recognise 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 recognise 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, then in stage 1 according to the subsequent improvement in the quality of credit risk.

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).

The definition of "default" is applied uniformly to all financial instruments, unless information becomes available indicating that another definition of "default" is more suitable for a specific financial instrument.

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 supervising 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 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 set 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 the 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 Budgétaire exercise;
- 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.

The Crédit Agricole Group has decided to update the estimate of the parameters every six months.

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 interest rate (EIR) used for the initial recognition of the financial instrument.

The models and parameters used are backtested at least annually.

Significant increase in 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 increase 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 look back at 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 incorporated into the rating systems allows for a more detailed assessment than the non-payment for over 30 days criterion alone as a back-stop threshold.

Other factors for downgrading to stage 2 are:

- a PD absolute threshold is breached. This threshold is set at 12% for the corporate portfolio and at 20% for the retail portfolio;
- no rating as at the assessment date if regarding loans disbursed over six months before;
- the exposure being classified as forborne performing.

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

For security portfolios, Crédit Agricole Italia, consistently with 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 Bucket 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 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.

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, in the ECB "NPL Guidance" published in March 2017, Banks that have a weight of non-performing loans higher than the average of EU banks are expected to design a strategy aimed at progressively reducing NPLs.

These changes in the strategies for the recovery of NPLs were taken into account upon the first-time adoption of the IFRS 9, which has introduced significant changes vs. IAS 39. Specifically, IAS 39 read (see paragraph 59): "A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event')... omissis... Losses expected as a result of future events, no matter how likely, are not recognised".

The approach provided for by the new standard is materially different; indeed, 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, the 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, whereas for IAS 39 the source of cash flows is limited to the cash flows from the debtor or from the guarantee pursuant to the relevant contract, in accordance with IFRS 9 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 the 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; conversely, in accordance with IAS 39, realization through the sale of a loan could be considered (as a single scenario) only where reasonably certain, as at the reporting date, because it could be considered the expression of a management direction already formalized at that date.

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.

Determining impairment losses requires the measurement of future cash flows that the borrower is believed able to generate and that shall be used for financial debt service.

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

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 recognised 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 derecognise the financial instrument affected by the modification and shall recognise 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 recognised 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 recognised in 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 considered 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 accordingly be assess 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 recognised as a loss under cost of credit.

Upon impairment, the portion regarding the passage of time shall be recognised under net interest income.

Purchased or Originated Credit Impaired Assets ("POCI")

Pursuant to the 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, the 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 recognised 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 picture

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 the IFRS 9, exercising the option given by the 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 the IAS 39 takes into account the bases of classification and measurement of financial instruments pursuant to the 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 measured at fair value through 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 recognise asset or liability or of an irrevocable commitment not recognised, 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 recognised 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 hedge documentation, as permitted by the IAS 39 endorsed by the European Union (carve out version).

Specifically:

- the Bank 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.

Assessment

The remeasurement of the derivative at fair value is recognised as follows:

- fair value hedges: the derivative remeasurement is recognised 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 recognised 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 recognised 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 recognised in accordance with its classification. For debt instruments measured at fair value through other comprehensive income with recycling, fair value changes after the termination of hedging relationship shall be fully recognised 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 element affects profit or loss. Interest-rate hedged items shall be recognised through profit or loss as interests are paid. The remaining portion of the remeasurement difference is then amortized over the reaming 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 recognised through profit or loss.

REVENUES FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

Fee and commission revenues 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 effective yield on a financial instrument are recognised as an adjustment to the yield 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 recognised through profit or loss when the service is provided.

Fees and commissions to be paid or collected, or not yet earned, shall be progressively recognised 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.

MAIN FINANCIAL STATEMENT ITEMS

1. Financial assets measured at fair value through profit or loss

CLASSIFICATION

This category contains 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.

The 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 recognised.

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 recognised at the settlement date, while derivative contracts are recognised on the date they are signed. Loans are recognised on their disbursement date.

Specifically, upon recognition at the settlement date, the reporting entity recognises 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 recognised.

On initial recognition, "Financial assets measured at fair value through profit or loss" are recognised 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 CRITERIA AND REVENUE RECOGNITION CRITERIA

After initial recognition, "Financial assets measured at fair value through profit or loss" are stated at fair value.

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 recognised 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 derecognised 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 recognised, even if the relevant legal title has been transferred. Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognised 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 recognised 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 (FVTOCI)

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;
- 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 not 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.

The 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 recognised.

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 recognised at the settlement date for debt and equity securities and, as regards loans, at their disbursement date. At initial recognition, these assets are recognised 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 CRITERIA AND REVENUE RECOGNITION CRITERIA

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 recognised 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 recognised 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 recognised 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 recognised 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 derecognised 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 recognised, even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognised 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 recognised to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, financial assets which have been sold are derecognised 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 carried 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;
- 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. Loans and receivable from finance leases that, in compliance with IAS 17, are recognised with the “cash flow method” shall also be reported under this item.

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).

The 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 recognised.

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 recognised at the settlement date for debt and equity securities and, as regards loans, at their disbursement date. This asset item reports separately:

- loans to banks;
- loans to customers.

Financial assets classified in this category are initially recognised 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 recognised and derecognised on the loan disbursement date.

Loans and receivables are initially recognised at their fair value that 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 recognised 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 recognised as funding or lending transactions. Specifically, repurchase agreements are recognised as due and payables for the spot amount received, whereas reverse repurchase agreements are recognised 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 recognised 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 recognised 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 the 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 recognise expected credit losses over 12 months;
- stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognise 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 recognise incurred credit losses up to maturity. Subse-

quently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, then in stage 1 according to the subsequent improvement in the quality of credit risk.

Impairment losses are recognised 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 recognised 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 recognised in the Income Statement under item "10. Interest and similar income" are 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.

The income statement reports interest income calculated with the effective interest method in accordance with Bank of Italy Circular 262.

DERECOGNITION

Financial assets are derecognised 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 derecognised 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 recognised, 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 derecognise the financial instrument affected by the modification and shall recognise 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 substantially all the risks and rewards of ownership have been transferred, financial assets are derecognised 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 recognised 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.

- 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 derecognise the financial instrument affected by the modification and shall recognise 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 transactions

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 the IFRS 9, exercising the option given by the 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 the IAS 39 takes into account the bases of classification and measurement of financial instruments pursuant to the IFRS.

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, should the risk event take place.

The following types of hedges are used:

- fair value hedges: these are used to hedge exposures to changes in the fair value (attributable to the different types of risk) of assets and liabilities or portions thereof, groups of assets and liabilities, irrevocable commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39, 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. In some minor cases, similar hedges are used for some 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 recognised at subscription date and later measured at fair value.

MEASUREMENT CRITERIA AND REVENUE RECOGNITION CRITERIA

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 recognised 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 through profit or loss.
- 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 recognises in equity (item "120. Valuation reserves"), for the effective portion of the hedge, and are recognised 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 recognised 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 actual effectiveness is gauged by comparing the above-mentioned changes, taking into account the intention of the company at the inception of the hedge.

Hedging is deemed effective when changes in the fair value (or the cash flows) of the hedging instrument almost entirely – i.e. within an interval of between 80% and 125% - offset changes in the value of the hedged item for the hedged risk factor.

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

- prospective tests, which justify the application of hedge accounting, since they demonstrate the expected effectiveness of the hedge;
- retrospective tests, which show the degree of effectiveness of the hedge achieved during the reference period. In other words, they measure how actual results deviate from the perfect hedge.

Any hedge ineffectiveness caused by economic circumstances

Termination of the hedging relationship

It 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 accumulated recoveries/losses recognised subsequent to the fair value change of the hedges risk are recognised 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 recognised 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 recognised in the Income Statement under item

“90. Net profit (loss) on hedging activities” and in the Balance Sheet under asset item “60. Fair value change of financial assets in macro-hedge portfolios” or under in the Balance Sheet Liability item “50. Fair value change of financial liabilities in macro-hedge portfolios”. Fair value changes occurred in the hedged item are recognised 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 accumulated recoveries/losses are recognised 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 ventures that are recognised 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 recognised at the settlement date. At initial recognition, these financial assets are recognised at cost, including any goodwill paid upon acquisition which, therefore, is not separately recognised.

MEASUREMENT CRITERIA AND REVENUE RECOGNITION CRITERIA

The book value of the financial asset is then increased or decreased in order to recognise the portion of profit and losses of the investees attributable to the Parent Company and realized after the equity investment acquisition, as the balancing item of the Consolidated Income Statement item "220. Profit (losses) on equity investments".

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 equity investment could generate, including its value upon divestment.

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

If the reasons for the impairment should be removed subsequent to the recognition of the impairment loss, a writeback is taken to the income statement.

DERECOGNITION

Equity investments are derecognised 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 the IFRS

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 assets used within finance lease contracts, even though the lessor remains the owner of the asset.

RECOGNITION

"Property, plant and equipment" items are initially recognised 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 recognised as an increase in the value of the assets, while ordinary maintenance costs are recognised in the Income Statement.

MEASUREMENT CRITERIA AND REVENUE RECOGNITION CRITERIA

Property, plant and equipment items, including investment property, are measured at cost less depreciation and impairment.

These assets are systematically depreciated over their useful life on a straight-line basis, as reported in the table below:

Description	Duration
Land	No depreciation
Operating property	33 years [(1)]
Other investment property	
- Other	33 years [(1)]
- High-end property and 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

Buildings are depreciated at a rate based on a useful life deemed fit to appropriately represent the deterioration of the assets over time due to use, taking into account any extraordinary maintenance costs, which increase the value of the asset, and ordinary maintenance costs, which maintain the value of the assets for longer periods of time. However, the assets' remaining useful life is verified on a regular basis.

The depreciation cost for property, plant and equipment is recognised in the Income Statement in the 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, and, therefore, fully available to the Company, including the land;
- high-end property;
- property, plant and equipment inventories governed by IAS 2;

- 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 recognised in the Income statement under item "180 Net adjustments of/recoveries on property, plant and equipment".

If the reasons for impairment cease to exist, a writeback is recognised. 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 derecognised 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 recognised as the difference between purchase cost and the fair value of the assets and liabilities acquired and contingent assets and liabilities recognised upon acquisition in accordance with the IFRS 3 determination criteria;
- the intangibles representing business with customers are recognised subsequent to the application of IFRS 3.

RECOGNITION AND MEASUREMENT

Separately acquired and internally generated intangible assets are initially recognised 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 recognised in the Income Statement for the period in which it is borne. Intangible assets acquired through business combinations are recognised at fair value as at the acquisition date.

MEASUREMENT CRITERIA AND REVENUE RECOGNITION CRITERIA

After initial recognition, intangible assets are recognised net of the accumulated amortization and of any accumulated impairment losses. Intangible assets' useful life is assessed as finite or indefinite.

Intangible assets with finite useful life are amortized over their useful life and are tested for impairment every time signals 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 occur, are recognised through the change in the amortization period or approach, as the case may be, and are considered as accounting estimate changes. The amortization cost for intangible assets with finite useful life is recognised in the Income Statement in the 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 a cash-generating unit level.

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

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

DERECOGNITION

Intangible assets are derecognised 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 recognised in the income statement for the year in which the derecognition is made.

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 recognised 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 recognised as a separate item in the Income Statement.

9. Current and Deferred Taxe

RECOGNITION, CLASSIFICATION AND MEASUREMENTE

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 recognised 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 recognised in the Income Statement, except for those related to items debited or credited directly in equity, for which the related taxes are recognised, for consistency purposes, in equity.

The effects of current taxes and deferred tax assets and liabilities are recognised 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 timing differences – without time restrictions – between the value attributed to an asset or a liability pursuant to the Italian Civil Code and the corresponding values used for tax purposes.

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 Group for the Italian corporate income tax (IRES), as the algebraic sum of the income and/or losses of the single Companies, and recognises 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 - loans to 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 recognise 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 recognised to the extent their recovery is deemed likely.

Deferred tax liabilities are recognised 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 recognised 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 recognised 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.

It is pointed out that, as regards the tax losses/ACE surplus acquired within the merger of the Fellini Banks, in 2018 a specific tax ruling was applied for pursuant to Article 172 of the Italian Consolidated Act on Income Taxes (TUIR) and had a favourable outcome.

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 recognised 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, recognised 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 recognised directly in equity, under the item "Valuation reserves".

PROVISIONS FOR RISKS AND CHARGES REGARDING COMMITMENTS AND GUARANTEES ISSUED

This sub-item of the "provisions for risks and charges" item reports credit risk allowances recognised for commitment to disburse funds and for guarantees issued 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 a reliable estimate can be made of the amount.

Where the time factor is significant, provisions are discounted using current market rates. The amount allocated to provision is recognised 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 recognised 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 due and payables recognised by the entity as the lessee in finance leases.

RECOGNITION

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

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

Internal administrative expenses are excluded Repurchase agreements or reverse repurchase agreements are recognised as funding or lending transactions. Specifically, repurchase agreements are recognised as due and payables for the spot amount received, whereas reverse repurchase agreements are recognised as loans and receivables for the spot amount paid.

MEASUREMENT CRITERIA AND REVENUE RECOGNITION CRITERIA

Following initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method. The result of this method is recognised in the Income Statement under item "20 Interest and similar expenses".

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

DERECOGNITION

Financial liabilities are derecognised when they mature or are settled. Financial liabilities are also derecognised when previously issued securities are repurchased.

The difference between the liability book value and the amount paid to purchase such liability is recognised 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 recognised at the new placement price, with no effect through profit or loss.

12. Financial liabilities held for trading

RECOGNITION

These financial instruments are recognised, at the date of subscription or at the date of issue, at cost that 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 criteria and revenue recognition criteria

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 recognised in the Income Statement under item "80. Net profit (loss) on trading activities".

DERECOGNITION

Financial liabilities held for trading are derecognised 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 measured at fair value

Crédit Agricole Italia has not exercised the fair value option to measure financial liabilities, in other words to measure financial liabilities at fair value (separately reporting through equity any fair values changes attributable to its own credit rating) as regards all financial liabilities as at 1 January 2018.

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 recognised at fair value, without taking into account any transaction income or costs.

MEASUREMENT CRITERIA AND REVENUE RECOGNITION CRITERIA

These liabilities are recognised at fair value with the related effects recognised in accordance with the following rules laid down by the IFRS 9:

- any fair value changes attributable to changes in the entity's credit rating shall be recognised 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 recognised 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 recognised 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 recognised 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 derecognised when previously issued securities are repurchased. The difference between the liability book value and the amount paid to purchase such liability is recognised 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 recognised in the currency of account by translating the foreign currency amount at the exchange rate in force on the date of the transaction.

MEASUREMENT CRITERIA AND REVENUE RECOGNITION CRITERIA

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 recognised in the Income Statement for the period in which they emerge.

When gains or losses relating to a non-monetary item are recognised in equity, the exchange rate difference for the item is also recognised in equity.

Conversely, when a profit or a loss is recognised in the Income Statement, the related exchange rate difference is also recognised in the Income Statement.

15. IAS 39 financial statement items

The accounting standards used to prepare financial statement items reporting financial instruments as at 31 December 2017 are given below (IAS 39).

Financial assets held for trading

CLASSIFICATION

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

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

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

MEASUREMENT

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

IFRS 13 defines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

To measure the fair value of financial instruments that are listed on an active market, market prices are used. Where there is no active market, fair value is measured using generally accepted estimation methods and measurement models that take account of all the risk factors correlated to the instruments and that are based on information available on the market, such as: the measurement of the price of listed instruments with similar features, discounted cash flows, option pricing models, values reported for recent comparable transactions, etc.

Equity securities, derivatives on equity securities and units of OICR collective investment undertakings, whose fair value cannot be reliably measured according to the above guidelines, are recognised at cost.

Financial assets available for sale

CLASSIFICATION

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

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

MEASUREMENT

Following initial recognition, “Assets available for sale” are measured at fair value, with the recognition in the income statement of the interests calculated based on the effective rate of return, whereas the gains and losses resulting from changes in the fair value are recognised in a specific equity reserve until the asset is derecognised or an impairment is recognised. Upon disposal or recognition of an impairment loss, the accumulated gains or losses are taken to the Income statement.

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

Equity instruments included in this category, for which the fair value cannot be reliably determined, are recognised at cost. Poorly tradable Equity Instruments and units of OICR collective investment undertaking funds are measured including an illiquidity discount.

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

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

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

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

For debt securities and loans such writeback shall in no case determine a book value that is higher than that of the amortized cost had the loss not been recognized.

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

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

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

Investments held to maturity

CLASSIFICATION

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

MEASUREMENT

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

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

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

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

The amount of the loss is recognised in the Income Statement. If the reasons for impairment are removed subsequent to an event occurring after the impairment loss recognition, the value of the asset is written back and taken to the Income Statement. The amount of the recovery shall in no case exceed the amortized cost that the financial instrument would have had if prior adjustments had not been made.

Loans and receivables

CLASSIFICATION

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

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

MEASUREMENT

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

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

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

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

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

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

The original value of the loan is written back in subsequent financial years to the extent that the reasons for the adjustment cease to apply, provided that this assessment is objectively connected with an event that occurred subsequent to the adjustment.

Writebacks are recognised in the Income Statement and the value of the loan after the writeback shall not in any event exceed the amortized cost that it would have had in the absence of the prior adjustments.

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

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

Collective impairment losses are taken to the Income Statement.

Financial assets measured at fair value

CLASSIFICATION

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

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

MEASUREMENT

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

Loans and debt securities issued

CLASSIFICATION

The “Loans to banks”, “Loans 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.

MEASUREMENT

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

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

Financial liabilities held for trading

MEASUREMENT

All liabilities held for trading are measured at fair value through profit or loss

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

Leases have been recognised in accordance with IAS 17.

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

Leases are considered finance leases if they transfer all risks and rewards of ownership; otherwise, leases are classified as operating leases.

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

For finance lease contracts entered into by the Crédit Agricole Italia Banking Group as the lessee, the leased assets are recognised as property, plant and equipment, even though the lessor remains the owner of such assets. Interest expenses are recognised in the Income Statement on the liability recognised as the lessee and accrued depreciation of the assets, whereas the portion of the lease payments representing principal repayment is recognised as a decrease in the due value.

CLASSIFICATION OF LEASESG

For finance leases, the initial value recognised by the lessor includes the so-called "initial direct costs"; more in detail, the accounting standard:

- defines the initial direct costs as ""incremental costs that are directly attributable to negotiating and arranging a lease", specifying that "the interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of (a) the minimum lease payments and (b) the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any initial direct costs borne by the Lessor";
- specifies that "Lessors include in the initial lease amount the initial direct costs borne for negotiating the lease. This treatment does not apply to Lessors that are manufacturers or dealers";
- specifies that "the Principle does not allow initial direct costs to be recognised as expenses by the Lessors".

It is to be noted that the inclusion, in accordance with IAS 17, of initial direct costs in the finance lease recognition by the Lessor essentially entails that lease receivables are treated as financial receivables measured at amortized cost.

Initial direct costs to be attributed to net investment increase include only the additional costs which are directly attributable to negotiating and finalizing the finance lease transaction which are certain and immediately determinable upon the initial recognition of the lease receivable, such as commission and legal expenses.

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

As at the reporting date, Crédit Agricole Italia had no finance lease contracts in force.

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 deducted from Equity. Similarly, the original costs of these shares and any gains or losses resulting from their subsequent sale are recognised 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 that capitalized on the related financial assets;
- receivables associated with the supply of non-financial goods and services;
- tax due and payables other than those recognised under item "100. Tax assets".

It also reports leasehold improvement,expenses other than those recognised under item "80. Property, plant and equipment", as they cannot be separated by 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 recognised 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 recognised 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, for the duration of the lease, the lessee company has control over and enjoys the future economic benefits of the assets. These costs, classified among "Other Assets" as required by the Bank of Italy in the aforementioned Circular No. 262/2005, are amortized over a period that does not exceed the residual duration of the lease.

The balancing item in the Income Statement of the above provisions is recognised 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, recognised and measured individually in calculating the final obligation.

The expenses for the plan are recognised 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 employees are recognised in the Income Statement, with a corresponding increase in Equity, based on the fair value of the financial instruments allocated at the awarding date, divided over the time 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 recognised 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 recognised in the Income Statement only upon collection;
- dividends are recognised in the income statement when their distribution is authorized;
- Fee and commission income for revenues from services is recognised, 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 recognised 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 recognised in the Income Statement when the transaction is recognised, 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 recognised at a value equal to the transaction price, less the business profit; the difference with the fair value is recognised 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.

CONTRIBUTIONS TO THE SINGLE RESOLUTION FUND

The Bank Recovery and Resolution Directive (BRRD – 2014/59/EU) lays down the resolution rules applying since 1 January 2015 to all the banks within the European Union.

Effective from 1 January 2015, the relevant measures shall be financed by the National Resolution Fund, which, on 1 January 2016, was merged into the Single Resolution Fund – SRF, managed by the Single Resolution Board – SRB.

The Single Resolution Fund shall reach a target level of financial resources by 31 December 2023 through the payment of a yearly ex-ante contribution, which, normally, pursuant to the Delegated Regulation of the European Commission No. 2015/81, may be paid also with irrevocable payment commitments – IPC. For 2018, credit institutions were allowed to use such commitments as to 15% of total contributions, as in the two previous years. To secure full payment of the total contributions, intermediaries are required to pledge eligible assets as collateral, which, for the three years in question, may consist only of cash.

In 2018, 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 2018 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 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 2018 amounts to euro 12.2 million.

Moreover, in May 2018, 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 5.4 million.

These contributions are recognised in the Income Statement under "Other administrative expenses" net of the provisions allocated in previous financial years.

CONTRIBUTIONS TO THE DEPOSIT GUARANTEE SCHEME

The Deposit Guarantee Scheme Directive - 2014/49/EU (DGSD) laid down a 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 the Crédit Agricole Italia Banking Group for 2018 amounted to euro 15.8 million. These contributions are recognised in the Income Statement under "Other administrative expenses".

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

On 30 November 2018, the General Meeting of the Voluntary Scheme, upon the proposal made by the Management Board, resolved to intervene, pursuant to new Title II of the Scheme's by-laws, to support Banca Carige S.p.A..

The Voluntary Scheme intervenes by subscribing junior bonds for euro 318.2 million.

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

The total contribution paid by Crédit Agricole Italia in 2018 was euro 10.6 million. This contribution entailed the recognition of an asset under financial assets measured measured at fair value through other comprehensive income with no recycling.

RECOGNITION OF THE IMPACTS GENERATED BY THE CHANGES IN THE TAX LEGISLATION IMPLEMENTED BY THE ITALIAN 2019 BUDGET LAW

The IFRS 9 shall be applied retrospectively [IFRS 9 par. 7.2.1] and IAS 8 specifies that retrospective application means that the entity shall implement the new standard as if it had always been applied [IAS 8 par. 22]. Furthermore, the transitional arrangements of the IFRS 9 do not require restatement of comparative data [IFRS 9 par. 7.2.15 and 7.2.18-7.2.20] otherwise the opening balances of assets and liabilities of the comparison year should have been adjusted with corresponding adjustments to the opening balance of each affected component of equity for that period.

Consequently, the tax effects of the IFRS 9 first-time adoption have had the same treatment, i.e. tax values have been recognised as if the new standard had always been applied, thus adjusting the open balances of the comparison year with a corresponding adjustment to the opening balance of each affected component of equity for that period, without prejudice to the aforementioned transitional arrangements allowed by the IFRS 9.

Therefore, it is pointed out that the tax legislation in force or essentially in force as at 31 December 2017 was used in order to determine tax consequences on the effects of retrospective application of the IFRS 9, that is to say, properly recognizing such tax effects on an accrual basis.

All the events recognised in 2018, including the reassessment of DTA recoverability, also subsequent to the changes in the tax legislation, accrued in 2018.

Following the publication of the Italian Budget Law, it has been assessed that the impact generated by the IFRS 9 first-time adoption is deductible for tax purposes over 10 years other than fully in the first year.

BUSINESS COMBINATIONS

Business combinations are recognised in accordance with IFRS 3 "Business Combinations".

This standard requires business combinations to be recognised 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 recognised 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 that the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards be also taken into account.

The 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 recognised 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 recognised 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 recognised goodwill, the difference shall be recognised 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 recognised 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.

In 2018, the mergers by absorption were finalized of Cassa di Risparmio di San Miniato (on 24 June), of Cassa di Risparmio di Cesena (22 July) and Cassa di Risparmio di Rimini (9 September) into the Parent Company Crédit Agricole Italia.

FAIR VALUE MEASUREMENT

The 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 with the application of Indexation parameters.

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

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

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

An analogous approach is applied for the fair value measurement of medium-/long-term fixed-rate securities and structured securities that are hedged for interest rate risk, for which the book value determined for hedge accounting purposes already takes account of interest rate risk measurement. For the latter, in determining the fair value reported in the Note to the Financial Statements, changes in their credit spread were not taken into account, considering the same within the Group.

With regard to real estate, for which the fair value is calculated only for the purposes of disclosure in the Note to the Financial Statements, reference is made to a value primarily based on appraisals by independent experts, considering transactions at current prices in an active market for similar properties in the same geographical area and under the same conditions for leases and other contracts.

AMORTIZED COST CALCULATION METHOD

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is 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 a financial asset or liability up to maturity or the subsequent repricing date to the present value of that financial asset or liability.

To calculate the present value, the effective interest rate is applied to future cash flows or payments over the life of the financial asset or liability or for a shorter period of time under certain conditions (for example, changes in market rates).

Subsequent to initial recognition, the amortized cost method makes it possible to allocate revenues and costs pertaining to the instruments over their expected lifetime, 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 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 recognised 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 recognised 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 instruments that are not certain at the time the instrument is initially prepared, such as: commissions for retrocession, failure to use a credit line, early repayment.

Moreover, not considered in the amortized cost calculation are the costs that the Group would bear independently of the transaction (for example, administrative costs, recording and communication expenses), nor those that, though specifically attributable to the transaction, fall within normal loan management practices (for example, activities associated with disbursement of the loan), as well as 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 recognised 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 recognised 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 the IFRS 9, Crédit Agricole Italia recognises impairment with write-downs representing Expected Credit Losses (ECL) on the categories of financial assets given below:

- financial assets recognised at amortised cost or measured at fair value through other comprehensive income with recycling (loans and receivables, debt securities);
- commitments to disburse funds 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;
- lease receivables falling under the IAS 17 scope of application;
- 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 recognise expected credit losses over 12 months;
- stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognise 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 recognise 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, then in stage 1 according to the subsequent improvement in the quality of credit risk.

The 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. 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 set 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 ECL calculation formula includes 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 interest rate (EIR) used for the initial recognition of the financial instrument.

OTHER NON-FINANCIAL ACTIVITIES

Property, plant and equipment and intangible assets with a finite useful life are tested for impairment if there is evidence that the book value of the asset can no longer be recovered.

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

If the book value of an asset is higher than its recoverable value, that asset is impaired and consequently written down to the recoverable value.

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

The fair value of property is mainly determined on the basis of appraisals by independent experts. The appraisal is updated whenever there is a change in the property market trend that could affect the validity of the previous estimates and, in any case, every three years. Impairment losses are recognised only when the fair value, net of sale costs, or the value in use of the asset is lower than its book value for three consecutive years.

For other Property, plant and equipment items and intangible assets (other than goodwill), the Group determines the value in use as the present value of the estimated future cash flows using a discount rate before-taxes reflecting market data (the present value of money and asset-specific risks).

SEGMENT REPORTING METHOD

Crédit Agricole 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 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

In 2018, no transfers between portfolios were made.

A.4 INFORMATION ON FAIR VALUE

QUALITATIVE INFORMATION

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

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

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

- level 1: fair value equal to quoted prices (with no adjustments) in active markets. Level 1 includes financial instruments that are quoted on active markets. Specifically, these financial instruments are stocks and bonds quoted in active markets, investment schemes quoted in active markets (EFT) and derivatives traded in regulated markets.

- markets are considered active if the quotations are easily and regularly available on the stock exchange, from brokers, intermediaries, price quotation services or regulatory agencies and these prices represent actual transactions that are regularly carried out in the market on an arm's length basis.
- level 2: fair value determined using measurement models that are universally acknowledged and based on observable or indirectly observable market inputs (for example determining the interest rate curve based on interest rates that are directly observable on the market at a given reference date).

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

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

The fair value of some complex instruments that are not traded in active markets is determined with measurement techniques based on inputs that are not observable on the market.

The above are mainly complex interest rate instruments, stock derivatives and structured loans, where the measured correlation or volatility inputs are not directly comparable to market inputs.

CREDIT VALUATION ADJUSTMENT (CVA) AND DEBIT VALUATION ADJUSTMENT (DVA)

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

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

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

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

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

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

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

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

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

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

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

- the first category includes the counterparties for which CDS input parameters are directly observable in the market;
- the second category includes counterparties for which there is no official quoted parameter, but to which a CDS proxy can be assigned, based on the observable market value that is given to counterparties with the same characteristics in terms of economic activity sector, rating and geographical area;
- the third category includes the counterparties to which a proxy cannot be assigned and for which, therefore, historical data are used.

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

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

As at 31 December 2018, the CVA value for Crédit Agricole Italia, calculated in accordance with the method reported above, was euro 8,395.1 million.

Similarly, as at 31 December 2018, the DVA value was euro 838.1 million.

The difference between the CVA and DVA amounts as calculated, equal to euro 7,557 million, is a negative income component and, as such, has been recognised 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 with the application of indexation 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 recognised. 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).

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

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 recognised, 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

Assets/liabilities measured at fair value	31 Dec. 2018		
	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	89	54,061	37,458
a) financial assets held for trading;	89	54,061	31,889
b) financial assets designated at fair value	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	5,569
2. Financial assets measured at fair value through other comprehensive income	2,451,195	195,350	25,755
3. Hedging derivatives	-	435,675	-
4. Property, Plant and Equipment	-	-	-
5. Intangible Assets	-	-	-
TOTAL	**2,451,284**	**685,086**	**63,213**
1. Financial liabilities held for trading	-	61,378	-
2. Financial liabilities designated at fair value	-	-	-
3. Hedging derivatives	-	173,044	253,949
TOTAL	**-**	**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 came to euro 7,557 thousand (CVA 8,395 and DVA 838, respectively).

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down IAS 39 financial assets measured at fair value on a recurring basis by fair value level is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

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 Dec. 2017		
	L1	L2	L3
1. Financial assets held for trading	1	61,215	858
2. Financial assets measured at fair value	-	-	-
3. Financial assets available for sale	2,477,001	152,350	5,114
4 Hedging derivatives	-	413,546	-
5. Property, Plant and Equipment	-	-	-
6. Intangible Assets	-	-	-
TOTAL	**2,477,002**	**627,111**	**5,972**
1. Financial liabilities held for trading	-	67,920	-
2. Financial liabilities measured at fair value	-	-	-
3. Hedging derivatives	-	227,118	184,688
TOTAL	**-**	**295,038**	**184,688**

A.4.5.2 Annual changes of financial assets measured at FV on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensiv	Hedging derivatives	Property and equipment	Intangibles Assets
	Total	Of which: a) financial assets held for trading	Of which: b) financial assets designated	Of which: c) altre attività finanziare obbligatoriamente valutate al fair value				
1. Opening balance	**1,104**	**1,104**	**-**	**-**	**4,868**	**-**	**-**	**-**
2. Increases	**46,399**	**35,766**	**-**	**10,633**	**44,273**	**-**	**-**	**-**
2.1 Purchases	37,101	29,129	-	7,971	43,317	-	-	-
2.2 Profits recognised in:	-	-	-	-	-	-	-	-
2.2.1 Income Statement	2,858	196	-	2,662	-	-	-	-
- of which: capital gains	186	174	-	12	-	-	-	-
2.2.2 Equity	-	X	X	X	956	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	6,440	6,441	-	-	-	-	-	-
3. Decreases	**10,045**	**4,981**	**-**	**5,064**	**23,386**	**-**	**-**	**-**
3.1 Sales	7,267	2,227	-	5,039	10,731	-	-	-
3.2 Repayments	-	-	-	-	-	-	-	-
3.3 Losses recognised in:	-	-	-	-	-	-	-	-
3.3.1 Income Statement	2,778	2,754	-	25	-	-	-	-
- of which: capital losses	2,776	2,752	-	25	-	-	-	-
3.3.2 Equity	-	X	X	X	12,655	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing Balance	**37,458**	**31,889**	**-**	**5,569**	**25,755**	**-**	**-**	**-**

A.4.5.3 Annual changes of financial 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	**-**	**-**	**184,688**
2. Increases	**-**	**-**	**90,286**
2.1 Issues	-	-	87,715
2.2 Losses recognised in:	-	-	-
2.2.1 Income Statement	-	-	2,571
- of which Capital losses	-	-	2,571
2.2.2 Equity	X	X	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**-**	**-**	**21,025**
3.1 Repayments	-	-	14,956
3.2 Repurchases	-	-	-
3.3 Profits recognised in:	-	-	-
3.3.1 Income Statement	-	-	6,069
- of which Capital gains	-	-	6,069
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing Balance	**-**	**-**	**253,949**

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 Dec. 2018			
	BV	L1	L2	L3
1. Financial assets measured at amortized cost	47,593,188	3,771,071	7,587,096	34,297,599
2. Investment property	52,837	-	-	73,926
3. Non-current assets held for sale and discontinued operations	-	-	-	-
TOTAL	**47,646,025**	**3,771,071**	**7,587,095**	**34,355,630**
1. Financial liabilities measured at amortized cost	47,280,389	-	46,447,372	670,606
2. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
TOTAL	**47,280,389**	**-**	**46,447,372**	**670,606**

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

The book value recognised 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 recognised 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 recognised, for disclosure purposes only, could be significantly different from the prices of any disposals.

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down IAS 39 financial assets not measured at fair value or measured at fair value on a non-recurring basis by fair value level is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

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 Dec. 2017			
	BV	L1	L2	L3
1. Investments held to maturity	1,569,990	1,570,332	-	19,982
2 Loans to banks	10,550,970	-	10,550,970	-
3. Loans to customers	29,799,716	-	-	31,428,613
4. Investment property	8,019	-	-	20,973
Non-current assets held for sale and discontinued operations	-	-	-	-
TOTAL	**41,928,695**	**1,570,332**	**10,550,970**	**31,469,568**
1. Loans to banks	7,791,592	-	7,791,592	-
2. Loans to customers	26,124,339	-	26,124,339	-
3. Debt securities issued	7,990,404	-	7,772,279	387,099
4. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
TOTAL	**41,906,335**	**-**	**41,688,210**	**387,099**

A.5 - INFORMATION 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.

Disclosure on the first-time adoption of IFRS 9 - Financial Instruments

The IFRS 9 “Financial Instruments”, which was endorsed by the European Union on 22 November 2016 and published in the EU Official Journal on 29 November 2016, has replaced, effective as of 1 January 2018, IAS 39 “Financial Instruments: recognition and measurement”. For exhaustive reporting on the new standard, please refer to paragraph “Financial Instruments” in Part A.1 - section 2 - General preparation principles”.

As set forth in paragraph “Statement of compliance with the International Accounting Standards”, Crédit Agricole Italia has exercised the option, as provided for by the IFRS 9 and the IFRS 1 “First time adoption of International Financial Reporting”, not to restate the comparative financial statement data on first-time adoption of IFRS 9.

In order to provide more exhaustive reporting on the effects generated by the first-time adoption of the new standard, this section explains the choices made by Crédit Agricole Italia in the three different scopes covered by the IFRS 9: Classification & Measurement, Impairment and Hedge Accounting.

Then, as provided for in the document issuing the 5th update of Bank of Italy Circular no. 262 “Banks’ financial statements: layout and preparation”, a statement of reconciliation is given reconciling the data of the latest financial statements approved (in accordance with IAS 39) and those of the first financial statements prepared based on the new standard. The credit quality as at 1 January 2018 of financial assets measured at amortized cost is also reported.

CLASSIFICATION AND MEASUREMENT

In order to comply with the new IFRS 9, which requires financial assets to be classified based on the contractual characteristics of the cash flows from the instruments and based on the Business Model, i.e. the objective pursuing which they are managed, the methods and procedures have been designed to test the cash flow contractual characteristics (SPPI Test) and the business models have been formalized.

As regards SPPI testing of financial assets, the securities and loans as at 31 December 2017 were analyzed, in order to determine their proper classification at the First Time Adoption (FTA) of the new standard.

Specifically, as regards debt securities, the characteristics of the cash flows of the instruments recognised at amortized cost and as financial assets available for sale in accordance with IAS 39 were thoroughly analyzed. No securities were to be reclassified for having failed the SPPI test. At the first-time adoption of IFRS 9, the units of OICR collective investment undertakings (open-end funds and closed-end funds) held by the Group were categorized as held in accordance with the “Other” Business Model and, therefore, they were classified as financial assets held for trading measured at fair value through profit or loss; for the sake of completeness, it is pointed out that, based on the thorough analyses carried out and on the clarifications given by the IFRS Interpretation Committee, the OICR units for which the set Business Model is “Hold to Collect and Sell” shall be classified as assets mandatorily measured at fair value through profit or loss, as the SPPI test is considered failed.

For the loan portfolio, the Bank has determined modular analyses to be carried out considering the essential standardization of the lending contracts; for tailor-made products, the test was performed on an adequately selected sample based on significance. Also for loans, no significant impacts were found within the transition to the new standard as regards classification.

Upon the IFRS 9 FTA, in accordance with the business models chosen for the management of its proprietary bond portfolio, Crédit Agricole Italia, chose both the “Hold to Collect and Sell” (HTCS) Business Model, used for approximately 44% of the nominal value of the security portfolio, and the “Hold to Collect” (HTC) Business Model, used for the remaining 56%.

This subdivision is consistent with Crédit Agricole Italia’s management approach for liquidity investment, an approach that gives preference to High Quality Liquidity Assets (HQLA), optimizing the contribution they give to net interest income and generating positive impacts on the LCR. On the other hand, the HTCS Business Model is used only for those securities for which, on the FTA date, potential volatility through Own Funds was deemed acceptable in accordance with the risk policies (the main ones referring to: RAF, ICAAP and ILAAP) implemented by the Group.

The “Other” Business Model, which requires instruments to be measured at fair value through profit and loss, has been chosen for the instruments already classified as held for trading in accordance with IAS 39, as well as other residual instruments.

No reclassifications were made of securities mandatorily measured at fair value through profit or loss because the SPPI test was failed, except for OICR collective investment undertaking instruments having immaterial amounts.

As regards equity instruments, Crédit Agricole Italia has opted for their classification at fair value through an Equity Reserve with no recycling (also in case of sale) ; therefore, the option for their measurement at fair value through profit or loss has not been exercised.

The business model chosen upon FTA for the loan portfolio is the HTC one, which provides for these financial instruments to be measured at amortized cost, i.e. as they were classified also before the FTA, granted that they pass the SPPI test.

The Crédit Agricole Italia Banking Group has decided not to exercise the Fair Value Option (with subsequent separate recognition through equity of any fair value changes attributable to its own credit rating) as regards the stock of financial liabilities as at 1 January 2018.

IMPAIRMENT

With the new calculation method vs. the IAS 39 rules, impairment increased by approximately euro 507 million gross of tax effects (of which a gross amount of approximately euro 444.8 million attributable to non-performing loans classified in stage 3). Upon the FTA, this increase was recognised through an equity reserve (Retained earnings reserve) and concerned:

- HTC securities for euro 1,906 million;
- HTC&S securities for euro 1,657 million;
- loans to customers for euro 496.5 million (of which euro 444.8 million in stage 3);
- loans to banks for euro 1,621 million;
- signature loans and irrevocable commitments for euro 5,176 million.

On 12 December 2017, the European Parliament and the Council issued Regulation (EU) 2017/2395 “Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds” amending Regulation (EU) No 575/2013, the CRR, with the insertion of the new Article 473a “Introduction of IFRS 9”, which gives Banks the possibility to mitigate the impacts on own funds resulting from the introduction of the IFRS 9 over a transition period of 5 years (from March 2018 to December 2022) by neutralizing the impact on CET1 through the application of percentages decreasing over time. Crédit Agricole Italia has decided not to apply the transitional arrangements provided for by the aforementioned Regulation.

HEDGE ACCOUNTING

The IFRS 9 regulates classification and measurement of financial instruments, impairment for credit risk deterioration and 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 new rules on macro hedging.

Quantitative disclosures are reported below in terms of reclassifications and impacts of the IFRS 9 first-time adoption on own funds.

RECONCILIATION BETWEEN THE FINANCIAL STATEMENTS PUBLISHED IN THE 2017 ANNUAL REPORT AND THE IFRS 9 FINANCIAL STATEMENTS (NEW CIRCULAR 262) AS AT 1 JANUARY 2018 (RECLASSIFICATION OF IAS 39 BALANCES) DATA IN EURO/1000

Circular 262/2005 4the update IAS 39 - ASSETS	31 Dec. 2017 (ex IAS 39)	10. Cash and cash equivalents	20. Financial assets measured at fair value through profit or loss			30. Financial assets measured at fair value through other	40. Financial assets measured at amortized cost		50. Hedging derivatives	60. Fair value change of financial assets in macro-hedge portfolios	70. Equity investments	80. Tangible assets	90. Intangible assets	100. Tax assets		110. Noncurrent assets held for salke and discontinued operations	120. Other assets
			a) financial assets held for trading; trading	b) financial assets designate at fair value	c) other financial assets mandatorily measured at fair value		a) due from banks	b) loans to customers						a) current	b) deffered		
10. Cash and	155,370	155,370															
cash equivalents	62,074		62,074														
20. Financial assets held for trading	-																
30. Financial assets measured at fair value	2,634,465		246		-	2,030,523		603,696									
40 Financial assets available for sale	1,569,990							1,569,990									
50. Investments held to maturity	10,550,970						10,550,970										
60. Loans to banks	29,799,716							29,799,716									
70. Loans to customers	413,546								413,546								
80. Hedging derivatives	17,338									17,338							
90. Fair value change of financial assets in macro-hedge portfolios (+/-)	1,493,704									-	1,493,704						
100. Equity investments	333,433											333,433					
110. Property, Plant and Equipment	1,017,804												1,017,804				
120. Intangible assets	922,340												922,340				
of which: goodwill	754,984													754,984			
130. Tax assets	175,262													175,262			
a) current	579,722														579,722		
b) deferred	525,866														525,866		
b1) pursuant to Italian Law No. 214/2011	-																
140. Non-current assets held for sale and discontinued operations	351,607																351,607
150. Other assets	**49,155,001**	**155,370**	**62,320**	**-**	**-**	**2,030,523**	**10,550,970**	**31,973,402**	**413,546**	**17,338**	**1,493,704**	**333,433**	**1,017,804**	**175,262**	**579,722**	**-**	**351,607**
Total assets																	

Circular 262/2005 4th update LIABILITIES AND EQUITY	31 Dec. 2017 (ex IAS 39)	10. Financial liabilities measured at amortised cost			20. Financial liabilities held for trading	30. Financial liabilities designated atfair value	40. Hedging derivatives	50. Fair value change of financial liabilities in macro-hedge portfolios (+/-)	60. Tax adjustement		70. Liabilities associated with non-current assets held for sale and discontinued operations	80. Other liabilities	90. Employee severance benefits	100. Provisions for risks and charges			110. Valuation reserves	120. Reimbursable actions	130. Equity instruments	140. Reserves	150. Share premium reserve	160. Share Capital	170. Treasury shares (+/-)	180. Profit (Loss) for the year
		a) Loans to banks	b) Loans to costumers	c) Debt securities issued					a) current	b) deferred				a) financial guarantees and other	b) post-employment and similar obligations	c) other provisions for risk and charges								
10. Loans to banks	7,791,592	7,791,592																						
20. Loans to customers	26,124,339		26,124,339																					
30. Debt securities issued	7,990,404			7,990,404																				
40. Financial liabilities held for trading	67,920				67,920																			
50. Financial liabilities measured at fair value	-					-																		
60. Hedging derivatives	411,806						411,806																	
70. Fair value change of financial liabilities in macro-hedge portfolios (+/-)	261,708							261,708																
80. Tax liabilities	149,627								149,627															
(a) current	107,007								107,007															
b) deferred	42,620									42,620														
90. Liabilities associated with non-current assets held for sale and discontinued operations	-										-													
100. Other liabilities	633,731											628,307		5,424										
110. Employee severance benefits	87,565												87,565											
120. Provisions for risks and charges	124,414														124,414									
(a) Post-employment and similar obligations	15,131														15,131									
b) other provisions	109,283															109,283								
130. Valuation reserves	-4,623																-4,623							
140. Redeemable shares	-																							
150 Equity instruments	365,000																		365,000					
160. Reserves	1,007,041																			1,007,041				
170. Share premium reserve	2,997,927																				2,997,927			
180. Capital	934,838																				-	934,838		
190. Treasury shares (+/-)	-																						-	
200. Profit (Loss) for the period	211,712																							211,712
Total liabilities and equity	**49,155,001**	**7,791,592**	**26,124,339**	**7,990,404**	**67,920**	**-**	**411,806**	**261,708**	**107,007**	**42,620**	**-**	**628,307**	**87,565**	**5,424**	**15,131**	**109,283**	**-4,623**	**-**	**365,000**	**1,007,041**	**2,997,927**	**934,838**	**-**	**211,712**

RECONCILIATION BETWEEN THE FINANCIAL STATEMENTS PUBLISHED IN THE 2017 ANNUAL REPORT AND THE IFRS 9 FINANCIAL STATEMENTS (NEW CIRCULAR 262) AS AT 1 JANUARY 2018 (RECLASSIFICATION OF IAS 39 BALANCES)

Circular 262/2005 5th update - ASSETS	31 Dec. 2017	IFRS 9 FTA impacts				1 Jan. 2018
		C&M securities	Loans and Securities (impairment)	Tax effects	Total FTA impacts	
10. Cash and cash equivalents	155,370					155,370
20. Financial assets measured at fair value through profit or loss (IFRS 7 para. 8 letter a))	62,320					62,320
a) financial assets held for trading	62,320					62,320
b) financial assets designated at fair value;	-					-
c) other financial assets mandatorily measured at fair value	-					-
30. Financial assets measured at fair value through other comprehensive income (IFRS 7, para. 8 letter h))	2,030,523					2,030,523
40. Financial assets measured at amortized cost (IFRS 7 para. 8 letter f))	42,524,372	328	-500,042		-499,714	42,024,658
a) loans to banks	10,550,970		-1,621		-1,621	10,549,349
b) loans to customers	31,973,402	328	-498,421		-498,093	31,475,309
50. Hedging derivatives	413,546					413,546
60. Fair value change of financial assets in macro-hedge portfolios (+/-)	17,338					17,338
70. Equity investments	1,493,704					1,493,704
80. Property, Plant and Equipment	333,433					333,433
90. Intangible assets	1,017,804					1,017,804
- of which goodwill	922,340					922,340
100. Tax assets	754,984			158,922	158,922	913,906
a) current	175,262			150,878	150,878	326,140
b) deferred	579,722			8,044	8,044	587,766
110. Non-current assets held for sale and discontinued operations	-					-
120. Other assets	351,607					351,607
TOTAL ASSETS	**49,155,001**	**328**	**-500,042**	**158,922**	**-340,792**	**48,814,209**

Circular 262/2005 5th update - LIABILITIES AND EQUITY	31 Dec. 2017	IFRS 9 FTA impacts				1 Jan. 2018
		C&M securities	Loans and Securities (impairment)	Tax effects	Total FTA impacts	
10. Financial liabilities measured at amortized cost	41,906,335					41,906,335
a) Loans to banks	7,791,592					7,791,592
b) Loans to customers	26,124,339					26,124,339
c) Debt securities issued	7,990,404					7,990,404
20. Financial liabilities held for trading	67,920					67,920
30. Financial liabilities designated at fair value	-					-
40. Hedging derivatives	411,806					411,806
50. Fair value change of financial liabilities in macro-hedge portfolios (+/-)	261,708					261,708
60. Tax liabilities	149,627			667	667	150,294
(a) current	107,007					107,007
b) deferred	42,620			667	667	43,287
70. Liabilities associated with non-current assets held for sale and discontinued operations	-					-
80. Other liabilities	628,307					628,307
90. Employee severance benefits	87,565					87,565
100. Provisions for risks and charges	129,838		5,176		5,176	135,014
a) commitments and guarantees given	5,424		5,176		5,176	10,600
b) post-employment and similar obligations	15,131					15,131
c) other provisions for risks and charges	109,283		-			109,283
110. Valuation reserves	-4,623	328	1,657	-667	1,318	-3,305
120. Redeemable shares (+/-)	-					-
130. Equity instruments	365,000					365,000
140. Reserves	1,007,041		-506,875	158,922	-347,953	659,088
150. Share premium reserve	2,997,927					2,997,927
160. Capital	934,838					934,838
170. Treasury shares (+/-)	-					-
180. Profit (Loss) for the period	211,712					211,712
TOTAL LIABILITIES AND EQUITY	**49,155,001**	**328**	**-500,042**	**158,922**	**-340,792**	**48,814,209**

Reconciliation between IAS 39 Shareholders' equity and IFRS 9 Shareholders' equity

Reconciliation between IAS 39 Shareholders' equity and IFRS 9 Shareholders' equity	
IAS 39 SHAREHOLDERS' EQUITY AS AT 31 DEC. 2017	**5,511,895**
CLASSIFICATION AND MEASUREMENT	
Adjustment of financial assets resulting from change in Business Model	**328**
Reclassification from valuation reserves to retained earnings reserves	-
net change in valuation reserves due to application of new classification and measurement rules	-
net change in retained earnings reserves due to application of new classification and measurement rules	-
IMPAIRMENT	
Application of the new (ECL) impairment model to loans measured at amortized cost	**-498,136**
performing (stage 1 and 2)	-53,331
non-performing (stage 3)	-444,805
Application of the new (ECL) impairment model to guarantees issued and commitments (irrevocable and revocable) to disburse funds	**-5,176**
Application of the new (ECL) impairment model to debt securities measured at amortized cost	**-1,906**
performing (stage 1 and 2)	-1,906
non-performing (stage 3)	
Reclassification from valuation reserves to retained earnings reserves	
net change in valuation reserves due to impairment of financial assets measured at fair value through other comprehensive income	1,657
net change in valuation reserves due to impairment of financial assets measured at fair value through other comprehensive income	-1,657
Tax effects	**158,255**
Total IFRS 9 transition effects as at 1 Jan. 2018	**-346,635**
IFRS 9 EQUITY - 1 Jan. 2018	**5,165,260**

Breakdown by type and stage of exposures at amortized cost subject to IFRS9 impairment process and related ECL

On-balance-sheet exposures (amortized cost)	IFRS 9											
	Gross exposure				Total value adjustments				Net exposure			
Items	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**	**Stage 1**	**Stage 2**	**Stage 3**	**TOTALE**	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**
Loans to customers	25,940,479	1,937,252	3,381,050	31,258,781	43,602	123,586	1,943,866	2,111,054	25,896,877	1,813,666	1,437,184	29,147,727
Loans to banks	10,550,970	-	-	10,550,970	1,621	-	-	1,621	10,549,349	-	-	10,549,349
Debt securities	2,329,490	-	-	2,329,490	1,906	-	-	1,906	2,327,584	-	-	2,327,584
TOTAL	**38,820,939**	**1,937,252**	**3,381,050**	**44,139,241**	**47,129**	**123,586**	**1,943,866**	**2,114,581**	**38,773,810**	**1,813,666**	**1,437,184**	**42,024,660**

On-balance-sheet exposures	IAS 39								
	Gross exposure			Total value adjustments			Net exposure		
Items	**Performing**	**Non-performing**	**TOTAL**	**Performing**	**Non-performing**	**TOTAL**	**Performing**	**Non-performing**	**TOTAL**
Loans to customers	27,877,731	3,381,050	31,258,781	115,478	1,499,062	1,614,540	27,762,253	1,881,988	29,644,241
Loans to banks	10,550,970	-	10,550,970			-	10,550,970	-	10,550,970
Debt securities	155,475	-	155,475			-	155,475	-	155,475
TOTAL	**38,584,176**	**3,381,050**	**41,965,226**	**115,478**	**1,499,062**	**1,614,540**	**38,468,698**	**1,881,988**	**40,350,686**

PART B - INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents - Item 10

1.1 CASH AND CASH EQUIVALENTS: BREAKDOWN

	31 Dec. 2018	31.12.2017
a) Cash	224,047	155,370
b) Demand deposits with Central Banks	-	-
TOTAL	**224,047**	**155,370**

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 Dec. 2018			31 Dec. 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance-sheet assets						
1. Debt securities	89	-	-	1	-	2
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	89	-	-	1	-	2
2. Equity securities	-	-	-	-	-	-
3. Undertakings for Collective Investments in Transferable Securities	-	-	25,004	-	-	-
4. Loans	-	-	6,440	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	6,440	-	-	-
TOTAL A	**89**	**-**	**31,444**	**1**	**-**	**2**
B. Derivatives						
1. Financial Derivatives	-	54,061	445	-	61,215	856
1.1 held for trading	-	54,061	445	-	61,215	856
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	**-**	**54,061**	**445**	**-**	**61,215**	**856**
TOTAL (A+B)	**89**	**54,061**	**31,889**	**1**	**61,215**	**858**

Item 3 “Units of O.I.C.R collective investment undertakings” came to Euro 25,004 thousand and mainly reports the investments in the “Asset Bancari III” real estate fund as to Euro 15,308 thousand, in the “Anthilia Bond Impres” fund as to Euro 3,066 thousand, in the “Minibond PMI” fund as to Euro 2,767 thousand and in the “Toscana Venture FCC” fund as to Euro 1,995 thousand.

In Item 4 “Loans”, an amount of euro 6,440 thousand reports a capitalization instrument fully repaid in February 2019.

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

Items/Values	31 Dec. 2018
A. On-balance-sheet assets	
1. Debt securities	**89**
a) Central Banks	-
b) Public administration bodies	88
c) Banks	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	-
d) Other issuers	-
3. Units of collective investment undertakings	**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	**31,533**
B. Derivatives	
a) Central counterparties	-
b) Other	54,506
TOTAL B	**54,506**
TOTAL (A+B)	**86,039**

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down the IAS 39 Financial assets held for trading portfolio by borrower/issuer is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

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

Items/Values	31.12.2017
A. On-balance-sheet assets	
1. Debt securities	3
a) Governments and Central Banks	1
b) Other public administration bodies	-
c) Banks	-
c) Other issuers	**2**
2. Equity securities	-
a) Banks	-
c) Other issuers:	-
- Insurance undertakings	-
- Financial companies	-
- Non-financial corporations	-
- other	**-**
3. Units of collective investment undertakings	**-**
4. Loans	-
a) Governments and Central Banks	-
b) Other public administration bodies	-
c) Banks	-
C) OTHER PARTIES	**-**
TOTAL A	3
B. Derivatives	
a) Banks	-
- fair value	8,795
b) customers	-
- FAIR VALUE	**53,276**
TOTAL B	**62,071**
TOTAL (A+B)	**62,074**

2.5 OTHER FINANCIAL ASSETS MEASURED AT FV AS PER MANDATORY REQUIREMENTS: BREAKDOWN

Items/Values	31 Dec. 2018		
	L1	L2	L3
1. Debt securities	**-**	**-**	**-**
1.1 Structured Securities	-	-	-
1.2 Other debt securities	-	-	-
2. Equity securities	**-**	**-**	**5,569**
3. Units of O.I.C.R. collective investment undertakings	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-
4.2 Other	-	-	-
TOTAL	**-**	**-**	**5,569**

Legend: L1 = Level 1 L2 = Level 2 L3 = Level 3

2.6 OTHER FINANCIAL ASSETS MEASURED AT FV AS PER MANDATORY REQUIREMENTS: BREAKDOWN BY BORROWER/ISSUER

Items/Values	31 Dec. 2018
1. Equity securities	**5,569**
of which: banks	346
of which: other financial companies	5,224
of which: non-financial corporations	-
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 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	**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 Dec. 2018		
	L1	L2	L3
1. Debt securities	**2,438,308**	**-**	**-**
1.1 Structured Securities	-	-	-
1.2 Other debt securities	2,438,308	-	-
2. Equity securities	**12,887**	**195,350**	**25,755**
3. Loans	**-**	**-**	**-**
TOTAL	**2,451,195**	**195,350**	**25,755**

Legend: L1 = Level 1 L2 = Level 2 L3 = Level 3

As at the reporting date, the exposure in debt securities came to a total of euro 2,438 million and consisted of Italian government bonds.

Among equity securities at level 2, the Crédit Agricole Italia Banking Group holds 7,814 shares in the Bank of Italy, equal to 2.60% of its entire share capital. These shares were recognised for a book value of euro 195 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 include the shares held in Unipol- Sai capital for an amount of euro 12.9 million.

Level 3 equity securities include the assets from the contribution to the Voluntary Scheme of the Interbank-Deposit Protection Fund amounting to euro 10.6 million.

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down the IAS 39 Financial assets available for sale portfolio by type is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

4.1 FINANCIAL ASSETS AVAILABLE FOR SALE: BREAKDOWN BY TYPE

Items/Values	31 Dec. 2017		
	L1	L2	L3
1. Debt securities	**2,464,251**	**-**	**-**
1.1 Structured Securities	-	-	-
1.2 Other debt securities	2,464,251	-	-
2. Equity securities	**12,750**	**152,350**	**4,868**
2.1 Measured at fair value	12,750	152,350	4,466
2.2 Measured at cost	-	-	402
3. Units of collective investment undertakings	**-**	**-**	**246**
4 Loans	**-**	**-**	**-**
TOTAL	**2,477,001**	**152,350**	**5,114**

3.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY DEBTOR/ISSUER

Items/Values	Total 31 Dec. 2018
1. Debt securities	**2,438,308**
a) Central Banks	-
b) Public administration bodies	2,438,308
c) Banks	-
d) Other financial companies	-
of which: insurance undertakings	-
e) non-financial corporations	-
2. Equity securities	**233,992**
a) Banks	195,350
c) Other issuers:	38,642
- other financial companies	27,341
of which: insurance undertakings	12,887
- non-financial corporations	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	**2,672,300**

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down the IAS 39 Financial assets available for sale portfolio by borrower/issuer is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

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

Items/Values	31 Dec. 2017
1. Debt securities	**2,464,251**
a) Governments and Central Banks	2,464,251
b) Other public administration bodies	-
c) Banks	-
c) Other issuers	-
2. Equity securities	**169,968**
a) Banks	152,350
c) Other issuers	17,618
- Insurance undertakings	12,749
- Financial companies	1,849
- Non-financial corporations	3,020
- other	-
3. Units of collective investment undertakings	246
4. Loans	-
a) Governments and Central Banks	-
b) Other public administration bodies	-
c) Banks	-
c) Other parties	-
TOTAL	**2,634,465**

3.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value				Total adjustments			Total partial write off (*)
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	2,440,655	2,440,655	-	-	-2,347	-	-	-
Loans	-	-	-	-	-	-	-	-
TOTAL	**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 LOANS TO BANKS

Tipologia operazioni/valori	31 Dec. 2018						31 Dec. 2017					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: purchased or originated	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated	L1	L2	L3
A. Loans to central banks	2,371,138	-	-	-	2,371,138	-	5,330,368	-	-	-	5,330,368	-
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Reserve requirement	2,366,266	-	-	X	X	X	5,327,641	-	-	X	X	X
3. Compulsory reserve	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	4,872	-	-	X	X	X	2,727	-	-	X	X	X
B. Loans to Banks	5,215,878	-	-	-	5,215,879	-	5,220,602	-	-	-	5,220,602	-
1. Loans	5,215,878	-	-	-	5,215,879	-	5,220,602	-	-	-	5,220,602	-
1.1 Current accounts and demand deposits	159,895	-	-	X	X	X	201,580	-	-	X	X	X
1.2 Time deposits	4,000,322	-	-	X	X	X	3,788,522	-	-	X	X	X
1.3 Other loans:	1,055,661	-	-	X	X	X	1,230,500	-	-	X	X	X
- Repurchase agreements for lending purposes	634,740	-	-	X	X	X	678,311	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	420,921	-	-	X	X	X	552,189	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured Securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**7,587,016**	**-**	**-**	**-**	**7,587,017**	**-**	**10,550,970**	**-**	**-**	**-**	**10,550,970**	**-**

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

As at 31 December 2018, there were no non-performing assets loans to banks.

4.2 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF LOANS TO CUSTOMERS

Type of transactions/Values	31 Dec. 2018					
	Book value			Fair value		
	First and second stage	Third Stage	of which: impaired purchased or originated	L1	L2	L3
1. Loans	34,719,267	1,389,705	-	-	-	34,297,599
1.1. Current accounts	2,212,188	317,601	-	X	X	X
1.2 Reserve repurchase agreements	-	-	-	X	X	X
1.3 Mortgage loans	22,427,895	916,571	-	X	X	X
1.4 Credit cards, personal loans and fifth-of-salary backed loanss	174,420	5,307	-	X	X	X
1.5 Finance leases	-	-	-	X	X	X
1.6 Factoring	-	-	-	X	X	X
1.7 Other loans	9,904,764	150,226	-	X	X	X
2. Debt securities	3,897,200	-	-	3,771,071	79	-
2.1 Structured Securities	-	-	-	-	-	-
2.2 Other debt securities	3,897,200	-	-	3,771,071	79	-
TOTAL	**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 the first and second stages, the most significant sub-items are reported below:

- sub-item "3. Mortgage loans" also reports credit claims pooled to secure the issue of Covered Bonds for euro 5.4 billion, as well as asset-backed securities for euro 2.7 billion;
- sub-item "7. Other loans" increased by euro 2.4 billion mainly subsequent to new medium-/long-term loans granted through the cooperation with Agos Ducato S.p.A.;
- item "2.2 Other debt securities" reports almost exclusively Italian Government securities.

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down the IAS 39 Investments held to maturity portfolio by type is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

5.1 INVESTMENTS HELD TO MATURITY: BREAKDOWN BY TYPE

Type of transactions/ Values	31 Dec. 2017			
	Book value	Fair value		
		LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	1,569,990	1,570,332	-	19,982
1.1 Structured Securities	-	-	-	-
1.2 Other debt securities	1,569,990	1,570,332	-	19,982
2. Loans	-	-	-	-
TOTAL	**1,569,990**	**1,570,332**	**-**	**19,982**

4.3 FINANCE LEASES

As at 31 December 2018, there were no loans resulting from finance lease transactions.

4.4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY BORROWER/ ISSUER OF LOANS TO CUSTOMERS

Type of transactions/values	31 Dec. 2018		
	First and second stage	Third stage	of which Purchased or Originated Credit Impaired Assets (POCI)
1. Debt securities	**3,897,200**	**-**	**-**
a) Public administration bodies	3,724,258	-	-
b) Other financial companies	152,982	-	-
of which: insurance undertakings	152,903	-	-
c) non-financial corporations	19,960	-	-
2. Loans to:	**34,719,267**	**1,389,705**	**-**
a) Public administration bodies	170,199	3	-
b) Other financial companies	7,314,608	9,798	-
of which: insurance undertakings	74,213	2	-
c) non-financial corporations	10,538,169	1,045,640	-
d) Households	16,696,291	334,264	-
TOTAL	**38,616,467**	**1,389,705**	**-**

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down the IAS 39 Investments held to maturity portfolio by borrower/issuer is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

5.2 INVESTMENTS HELD TO MATURITY: BREAKDOWN BY BORROWER/ISSUER

Type of transactions/values	31 Dec. 2017
1. Debt securities	**1,569,990**
a) Governments and Central Banks	1,550,008
b) Other public administration bodies	-
c) Banks	-
c) Other issuers	19,982
2. Loans	**-**
a) Governments and Central Banks	-
b) Other public administration bodies	-
c) Banks	-
c) Other parties	-
TOTAL	**1,569,990**
TOTAL FAIR VALUE	**1,590,314**

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down the IAS 39 Loans to customers portfolio by borrower/issuer is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

7.2 LOANS TO CUSTOMERS: BREAKDOWN BY DEBTOR/ISSUER

31 Dec. 2017	31 Dec. 2017		
	Performing	Non-performing	
		Purchased	Other
1. Debt securities:	**155,475**	**-**	**-**
a) Governments	-	-	-
b) Other public administration bodies	-	-	-
c) Other issuers	155,475	-	-
- Non-financial corporations	-	-	-
- Financial companies	-	-	-
- Insurance undertakings	155,475	-	-
- other	-	-	-
2. Loans to:	**27,762,253**	**1,865**	**1,880,123**
a) Governments	60,901	-	-
b) Other public administration bodies	60,824	-	-
c) Other parties	27,640,528	1,865	1,880,123
- Non-financial corporations	10,076,653	-	1,467,006
- Financial companies	5,407,695	-	32,752
- Insurance undertakings	66,371	-	18
- other	12,089,809	1,865	380,347
TOTAL	**27,917,728**	**1,865**	**1,880,123**

4.5 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value				Total adjustments			Total partial write-offs (*)
	First stage	of which: instruments whith low Credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	3,900,873	3,900,873	96	-	-3,752	-17	-	-
Loans	38,026,967	-	2,100,418	2,878,867	-59,116	-133,124	-1,489,162	8,806
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 CONTRACTS AND UNDERLYING ASSET

	Fair value 31 Dec. 2018			VN 31 Dec. 2017	Fair value 31 Dec. 2017			VN 31 Dec. 2017
	L1	L2	L3		L1	L2	L3	
A. Financial Derivatives	-	435,675	-	15,510,892	-	413,546	-	11,016,769
1) Fair value	-	435,675	-	15,510,892	-	413,546	-	11,016,769
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**435,675**	**-**	**15,510,892**	**-**	**413,546**	**-**	**11,016,769**

Key: NV= Notional value L1= Level 1 L2= Level 2 L3= Level 3

5.2 HEDGING DERIVATIVES: BREAKDOWN BY HEDGED PORTFOLIOS AND BY TYPE OF HEDGING

Transactions/ Type of hedge	Fair value							Cash-flow		Investments in foreign operations
	Micro-hedging						Generic	Specific	Generic	
	Debt securities and interest rates	Equity	Foreign ex-change rates and gold	Credit risk	Com-modities	Other				
1. Financial assets measured at fair value through other comprehensive income	1,516	-	-	-	X	X	X	-	X	X
2. Financial assets carried at amortized cost	60,095	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**61,611**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	374,064	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**374,064**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
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 60,095 thousand and referred to mortgage loans hedging.

The “Hedging Derivatives” item referring to financial liabilities consisted of euro 84,266 thousand for hedging own bonds issued and euro 289,798 thousand for macrohedging of demand deposits.

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

Fair value change of hedged assets/Values	31 Dec. 2018	31 Dec. 2017
1. Positive adjustment	**27,752**	**17,338**
1.1 of specific portfolios:	27,752	17,338
a) financial assets measured at amortized cost	27,752	17,338
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
2. Negative adjustment	**21**	**-**
2.1 of specific portfolios:	21	-
a) financial assets measured at amortized cost	21	-
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	-	-
TOTAL	**27,731**	**17,338**

Section 7 – Equity investments - Item 70

7.1 EQUITY INVESTMENTS: INFORMATION ON SHAREHOLDING

Name	Registered Office	Operating HQ	% held %	% of votes available
- Subsidiaries				
Sliders S.r.l.	Milano		100.00	
Italstock S.r.l.	Milano		100.00	
Crédit Agricole Real Estate S.r.l.	Parma		100.00	
Crédit Agricole Group Solutions S.C.p.A	Parma		86.60	
Crédit Agricole Leasing Italia - Calit S.r.l.	Milano		85.00	
Crédit Agricole FriulAdria S.p.A.	Pordenone		80.95	81.33
Crédit Agricole Carispezia S.p.A.	La Spezia		80.00	
Crédit Agricole Italia OBG S.r.l.	Milano		60.00	
San Genesio Immobiliare S.p.A.	San Miniato		100.00	
Unibanca Immobiliare	Cesena		100.00	
Carice Immobiliare S.p.A.	Cesena		100.00	
Nuova Madonnina S.p.A	Cesena		100.00	
Joint arrangements				
Not present				
Companies subject to significant influence				
Fiere di Parma S.p.A.	Parma		32.42	
MondoMutui Cariparma S.r.l.	Milano		19.00	
Le Village by CA Milano S.r.l.	Milano		38.91	
Società Agricola Le Cicogne S.r.l.	Faenza		50.01	
Cassa di Risparmio di Volterra	Volterra		20.00	

7.5 EQUITY INVESTMENTS: CHANGES FOR THE YEAR

	Total 31 Dec. 2018	Totale 31.12.2017
A. Opening balance	**1,493,704**	**1,311,391**
B. Increases	**12,023**	**182,313**
B.1 Purchases	12,013	182,313
B.2 Recoveries/writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	10	-
C. Decreases	**134,332**	**-**
C.1 Sales	132,902	-
C.2 Value adjustments	1,120	-
C.3 Impairment losses	-	-
C.4 Other changes	310	-
D. Closing balance	**1,371,395**	**1,493,704**
E. Total recoveries/writebacks	**-**	**-**
F. Total impairment losses	**-**	**-**

The increase of euro 12 million mainly resulted from the equity investments held by the Fellini Banks, which were merged into Crédit Agricole Italia.

The decrease of euro 133 million resulted, as to approximately euro 130 million, from the merger by absorption of the Fellini Banks, as to approximately euro 2 million, from the sale of a portion of the shareholding in Fiere di Parma and, as to the remaining portion, from the sale of the equity investments in Vegagest SGR S.p.A.

7.8 COVENANTS ON INVESTMENTS IN COMPANIES UNDER SIGNIFICANT INFLUENCE

As at 31 December 2018, 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 VALUED AT COST

Assets/Values	Total 31 Dec. 2018	Total 31 Dec. 2017
1. Owned	**537,725**	**325,414**
a) land	156,237	81,990
b) buildings	340,694	218,392
c) furniture	15,609	13,348
d) electronic plants	3,715	3,677
e) other	21,470	8,007
2. Acquired under finance leases	**2,004**	**-**
a) land	172	-
b) buildings	1,832	-
c) furniture	-	-
d) electronic plants	-	-
e) other	-	-
TOTAL	**539,729**	**325,414**
of which: obtained through the enforcement of guarantees received	-	-

8.2 PROPERTY, PLANT AND EQUIPMENT HELD FOR INVESTMENT: BREAKDOWN OF AS-

SETS VALUED AT COST

Assets/ Values	Total 31 Dec. 2018				Total 31 Dec. 2017			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned	**52,837**	**-**	**-**	**73,926**	**8,019**	**-**	**-**	**20,973**
a) land	27,237	-	-	32,214	3,013	-	-	11,508
b) buildings	25,600	-	-	41,712	5,006	-	-	9,465
2 Acquired under finance leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
TOTAL	**52,837**	**-**	**-**	**73,926**	**8,019**	**-**	**-**	**20,973**
of which: obtained through the enforcement of guarantees received	-	-	-	-	-	-	-	-

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

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

	Land	Buildings	Furniture	Electronic plants	Other	Total
A. Opening gross balance	**81,991**	**386,311**	**81,054**	**52,157**	**47,737**	**649,250**
A.1 Total net impairment writedowns	-	167,919	67,707	48,480	39,730	323,836
A.2 Opening net balance	**81,991**	**218,392**	**13,347**	**3,677**	**8,007**	**325,414**
B. Increases	**74,418**	**136,812**	**5,691**	**2,694**	**16,367**	**235,982**
B.1 Purchases	74,418	129,622	5,691	2,694	16,367	228,792
B.2 Capitalized improvement expenses	-	7,190	-	-	-	7,190
B.3 Recoveries/writebacks	-	-	-	-	-	-
B.4 Fair value gains recognised in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**12,678**	**3,429**	**2,656**	**2,904**	**21,667**
C.1 Sales	-	9	-	-	-	9
C.2 Depreciation	-	12,522	1,283	1,982	2,622	18,409
C.3 Impairment losses recognised in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
C.4 Fair value recognised in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to	-	-	-	-	-	-
a) Investment property	-	-	X	X	X	-
b) Non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	147	2,146	674	-82	3,249
D. Closing net balance	**156,409**	**342,526**	**15,609**	**3,715**	**21,470**	**539,729**
D.1 Total net impairment writedowns	-	180,441	68,990	50,462	42,352	342,245
D.2 Closing gross balance	**156,409**	**522,967**	**84,599**	**54,177**	**63,822**	**881,974**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

All the asset classes in the table have been measured at cost.

8.7 PROPERTY, PLANT AND EQUIPMENT HELD FOR INVESTMENT: ANNUAL CHANGES

	Total 31 Dec. 2018	
	Land	**Buildings**
A. Opening balance	**3,013**	**5,005**
B. Increases	**24,224**	**21,726**
B.1 Purchases	20,889	21,481
B.2 Capitalized improvement expenses	3,335	245
B.3 Fair value gains	-	-
B.4 Recoveries/writebacks	-	-
B.5 Positive exchange rate differences	-	-
B.6 Transfers from operating assets	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**1,131**
C.1 Sales	-	-
C.2 Depreciation	-	1,131
C.3 Fair Value losses	-	-
C.4 impairment losses	-	-
C.5 Negative exchange rate differences	-	-
C.6 Transfers to:	-	-
a) operating assets	-	-
b) Non-current assets held for sale and discontinued operations	-	-
C.7 Other changes	-	-
D. Closing balance	**27,237**	**25,600**
E. Measurement at fair value	**24,793**	**59,563**

All the asset classes in the table have been measured at cost.

Section 9 – Intangible assets – Item 90

9.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

Assets/Values	Total 31 Dec. 2018		Total 31 Dec. 2017	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**922,340**	**X**	**922,340**
A.2 Other intangible assets	**155,910**	**-**	**95,464**	**-**
A.2.1 Assets measured at cost:	155,910	-	95,464	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	155,910	-	95,464	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
TOTAL	**155,910**	**922,340**	**95,464**	**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: internally generated		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. Opening balance	**922,340**	**-**	**-**	**250,658**	**-**	**1,172,998**
A.1 Total net impairment writedowns	-	-	-	155,194	-	155,194
A.2 Opening net balance	922,340	-	-	95,464	-	1,017,804
B. Increases	**-**	**-**	**-**	**83,452**	**-**	**83,452**
B.1 Purchases	-	-	-	83,452	-	83,452
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Recoveries/writebacks	X	-	-	-	-	-
B.4 Fair value gains	-	-	-	-	-	-
- in Equity	X	-	-	-	-	-
- in the Income Statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**23,006**	**-**	**23,006**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	23,006	-	23,006
- Depreciation and amortization	X	-	-	23,006	-	23,006
- Impairment writedowns:	-	-	-	-	-	-
+ Equity	X	-	-	-	-	-
+ Income Statement	-	-	-	-	-	-
C.3 Fair Value losses:	-	-	-	-	-	-
- in Equity	X	-	-	-	-	-
- in the Income Statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing net balance	**922,340**	**-**	**-**	**155,910**	**-**	**1,078,250**
D.1 Total net value adjustments	-	-	-	178,200		178,200
E. Closing gross balance	**922,340**	**-**	**-**	**334,110**	**-**	**1,256,450**
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 2018 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 recognised value and specifically:

- for the component relating to loans to customers, the present value was calculated taking into account the rate of early repayment of mortgage loans between March 2008 and November 2018, the cost of credit (the 2009-2017 average) and the long-term taxation level;

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

The analysis had a favourable outcome.

Therefore, the total value of the intangible assets acquired in 2007 was found higher than their book value, amounting to euro 37,501 thousand as at 31 December 2018.

At the end of 2018 it was verified that the value of each of the elements making up intangible assets, which were recognised within the scope of transactions made in 2011 and calculated as the present value of future cash flows, was still higher than the recognised value and specifically:

- for the component relating to demand deposits, volumes were essentially in line with the date of purchase and their measurement took into account the introduction of the Multiple ITR System;
- with regard to Net Fee and Commission Income, the changes in Wealth Management fee and commission income for Assets under Administration and Assets under Management were analyzed for the 2011-2017 period and for 2019 (budget), 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 41,604 thousand as at 31 December 2018.

At the end of 2018, the value of each one of the components of the intangible assets recognised within the transactions finalized in 2017 was verified. Based on the evidence found on changes in intangible assets as recognised, 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 2018 equal to euro 75,692 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 and the 81 branches purchased in 2011.

First the Cash Generating Unit (CGU) was identified, i.e. the minimum unit generating cash flows, to which goodwill (equal to euro 922,340 thousand) is to be allocated. Based on the customer segments used for reporting to the management, the CGU was identified as being the Retail+Private Banking channel of Crédit Agricole Italia (which includes the 180 branches acquired in 2007 and the 81 acquired in 2011).

The CGU value in use has been calculated consistently with the method adopted by the Crédit Agricole Group S.A. Group, i.e. using the Discounted Cash Flows method and compared with absorbed own funds.

Information on the method for calculating future cash flows and the discount rate is provided in the Annual Report and Consolidated Financial Statements of the Crédit Agricole Italia Banking Group.

The test showed that the CGU value is higher than the relevant goodwill value.

This result also held when the parameters were varied (within a reasonable range of fluctuation). More specifically, the sensitivity analysis was carried out varying the parameters as follows:

- risk-free rate: variation range between 0.26% (rate of 10-year Bunds in December 2018) and 3.43% (average yield in the last 10 years of the Italian Government bond 10Y BTP);
- beta: variation range between 1.14 (average Beta of a sample of medium-sized listed Italian Banks) and 1.20;
- risk premium: variation range between long-term risk premium calculated for the Italian equity market (3.20% - Source: Aswath Damodaran, 2018) and the premium used (5.20%).

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

Lastly, it was verified at which discounting rate or at which long-term growth rate "g" the value in use becomes equal to the book value. This analysis showed that the book value is equal to the use value only with a marked increase in the discount rate Ke (12.9%), 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 6.0% parameter. In this situation, no need for impairment adjustments was detected, since the value in use of the equity investment was found higher than its book value.

Section 10 -Tax Assets and Tax Liabilities - Item 100 of Assets and Item 60 of Liabilities

10.1 DEFERRED TAX ASSETS: BREAKDOWN

	(*)	TIMES OF REENTRY					Total balance	TAX			
		2019	2020	2021	Other	Reenter not determined		IRES	ADD.LE IRES	IRAP	TOTAL
Deductible temporary differences											
Value adjustments of loans [1]	from 27,50 to 33,08	92,916	92,916	92,916	588,955	-	867,705	208,249	30,370	31,175	269,794
Adjustments of valuation of securities	33,08	1,345	666	4,895	10,511	71,624	89,041	21,370	3,116	1,186	25,672
Provisions for risks and charges		-	-	-	-	-	-	-	-	-	-
- legal disputes as defendant and legal actions to revoke transactions in insolvency proceedings	27,50	52,130	4,987	7,201	237	-	64,556	15,493	2,259	-	17,753
- signature loans	27,50	-	-	-	-	30,007	30,007	7,202	1,050	-	8,252
- personnel expenses	from 27,50 to 33,08	16,644	-	-	3,988	108,770	129,402	31,056	4,529	6,023	41,608
- other reasons	from 27,50 to 33,08	2,271	591	5,000	-	21,719	29,581	7,100	1,035	994	9,129
Recognition of goodwill for tax purposes	33,08	40,296	28,474	94,915	796,675	-	960,360	230,486	33,613	53,526	317,625
Other costs or provisions not yet deducted [2]	from 27,50 to 33,08	74,057	73,980	74,185	378,258	139,225	739,705	177,529	25,890	32,629	236,048
Tax losses that can be carried forward	27,50	89,063	190,452	151,105	338,305	-	768,925	184,542	26,952	-	211,494
Total by reversal year		**368,722**	**392,066**	**430,217**	**2,116,929**	**371,345**	**3,679,283**	**883,028**	**128,815**	**125,533**	**1,137,376**

(*) Indicates the percentage applied in calculating deferred tax liabilities and assets
(1) For adjustments since 2013, also IRAP applies
(2) The “Other costs or provisions not yet deducted” item reports DTAs for adjustment of loans pursuant to IFRS 9 resulting from deductibility in instalments as per Italian Law 145/2018, amounting to euro 148,269 thousand

As regards the recognition of DTAs, especially those relating to tax losses, the probability test was carried out and confirmed their full recoverability. Specifically, based on the best possible estimate of profit or loss in future financial years and considering any known recoveries of the temporary differences that generated the recognition of DTAs/DTLs - including the effects of the 2019 Budget Law (Italian Law no. 145 of 30 December 2018), which has significantly increased the DTA amount, as it provides for deductibility of adjustments of loans resulting from the IFRS 9 adoption over ten years and has changed the time horizon for the recovery of other DTAs - that losses can reasonably be expected to be recovered over a short time horizon, which can be estimated in five year. Positive results have been obtained also assuming possible scenarios of harder stress (obviously reasonable ones) on future tax profits and losses.

It is pointed out that, as regards the tax losses/ACE surplus acquired within the merger of the Fellini Banks, in 2018 a specific tax ruling was applied for pursuant to Article 172 of the Italian Consolidated Act on Income Taxes (TUIR) and had a favourable outcome.

10.2 DEFERRED TAX LIABILITIES: BREAKDOWN

	(*)	TIME TO REVERSAL					Total balance	TAX			
		2019	2020	2021	Other	Reenter not determined		IRES	ADD.LE IRES	IRAP	TOTAL
Taxable temporary differences											
Realized capital gains	from 27,50 to 33,08	8,762	5,218	2,374	-	-	16,354	3,925	572	-	4,497
Assets not recognised for tax purposes	from 27,50 to 33,08	14,955	14,666	14,666	82,468	89,617	216,370	51,929	7,573	10,939	70,441
Total by reversal year		**23,717**	**19,883**	**17,040**	**82,468**	**89,617**	**232,724**	**55,854**	**8,145**	**10,939**	**74,938**

(*) Indicates the percentage applied in calculating deferred tax liabilities and assets

10.3 DEFERRED TAX ASSETS: ANNUAL CHANGES (WITH OFFSETTING ENTRY TO PROFIT AND LOSS)

	Total 31 Dec. 2018	Totale 31.12.2017
1. Opening balance	**576,866**	**626,708**
2. Increases	**650,254**	**11,524**
2.1 Deferred tax assets recognised in the year	171,807	10,880
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) writebacks	-	-
d) other	171,807	10,880
2.2 New taxes or increases in tax rates	21	33
2.3 Other increases	478,426	611
3. Decreases	**130,535**	**69,485**
3.1 Deferred tax assets derecognised in the year	82,667	67,744
a) reversals	82,667	67,744
b) writedowns for supervening non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	47,961	1,741
a) conversion into tax credits pursuant to L. 214/2011	37,227	-
b) other	10,734	1,741
4. Closing balance	**1,096,512**	**568,747**

The opening balance reports the impacts generated by the IFRS 9 FTA. 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 211,494 thousand as at 31 December 2018. The “Other increases” item reports the balances as at 1 January 2018 of the Fellini Banks and, consequently, the conversion regarded the absorbed banks.

It is pointed out that, as regards the tax losses/ACE surplus acquired within the merger of the Fellini Banks, in 2018 a specific tax ruling was applied for pursuant to Article 172 of the Italian Consolidated Act on Income Taxes (TUIR) and had a favourable outcome.

10.3 BIS DEFERRED TAX ASSETS: CHANGES UNDER LAW 214/2011

	31 Dec. 2018	31 Dec. 2017
1. Opening balance	**524,596**	**574,385**
2. Increases	**100,128**	**48**
3. Decreases	**37,230**	**49,836**
3.1 Reversals	-	49,832
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
4 Closing balance	**587,494**	**524,597**

10.4 DEFERRED TAX LIABILITIES: ANNUAL CHANGES (WITH OFFSETTING ENTRY TO PROFIT AND LOSS)

	31 Dec. 2018	31 Dec. 2017
1. Opening balance	**31,921**	**29,092**
2. Increases	**49,677**	**8,696**
2.1 Deferred tax liabilities recognised in the year	5,075	3,600
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	5,075	3,600
2.2 New taxes or increases in tax rates	1	1
2.3 Other increases	44,601	5,095
3. Decreases	**7,311**	**5,867**
3.1 Deferred tax liabilities derecognised in the year	7,311	5,864
a) reversals	7,311	5,864
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	3
4. Closing balance	**74,287**	**31,921**

Deferred tax assets pursuant to Italian Law 214/2011 were also recognised directly in equity for an amount of euro 1.27 million Therefore, total deferred tax assets that can be converted into tax credits pursuant to Italian Law 214/2011 came to euro 588.763 million.

10.5 CHANGES IN DEFERRED TAX ASSETS (WITH OFSETTING ENTRY TO EQUITY)

	31 Dec. 2018	31 Dec. 2017
1. Opening balance	**10,880**	**8,298**
2. Increases	**32,068**	**8,263**
2.1 Deferred tax assets recognised in the year	26,171	106
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	26,171	106
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	5,897	8,157
3. Decreases	**2,084**	**5,586**
3.1 Deferred tax assets derecognised in the year	793	3,316
a) reversals	793	3,316
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	2,270
4. Closing balance	**40,864**	**10,975**

10.6 CHANGES IN DEFERRED TAX LIABILITIES (WITH OFSETTING ENTRY TO EQUITY)

	31 Dec. 2018	31 Dec. 2017
1. Opening balance	**11,366**	**13,414**
2. Increases	**12**	**5,969**
2.1 Deferred tax liabilities recognised in the year	-	5,581
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	-	5,581
2.2 New taxes or increases in tax rates	-	1
2.3 Other increases	12	387
3. Decreases	**10,727**	**8,684**
3.1 Deferred tax liabilities derecognised in the year	-	8,018
a) reversals	-	8,018
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	10,727	666
4. Closing balance	**651**	**10,699**

Section 12 - Other assets - Item 120

12.1 OTHER ASSETS: BREAKDOWN

	31 Dec. 2018	31 Dec. 2017
Sundry debits in process	36,010	20,694
Revenue stamps and other instruments	5	3
Items being processed	85,046	50,636
Accrued income not allocated to other items	3,293	20,328
Prepaid expenses not allocated to other items	4,902	91,237
Protested bills and cheques	2,676	1,884
Leasehold improvements	12,981	12,320
Tax advances paid on behalf of third parties	45,640	41,530
Sundry items	165,189	112,977
TOTAL	**355,742**	**351,609**

LIABILITIES

Section 1 - Financial liabilities measured at amortized cost - Item 10

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF LOANS TO BANKS

Type of transactions/Values	31 Dec. 2018				31 Dec. 2017			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Loans to central banks	**4,400,000**	**X**	**X**	**X**	**4,200,000**	**X**	**X**	**X**
2. Loans to banks	**3,588,794**	**X**	**X**	**X**	**3,591,592**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	552,575	X	X	X	641,974	X	X	X
2.2 Time deposits	2,019,561	X	X	X	2,118,122	X	X	X
2.3 Loans	995,780	X	X	X	827,327	X	X	X
2.3.1 Repurchase agreements for funding purposes	-	X	X	X	-	X	X	X
2.3.2 Other	995,780	X	X	X	827,327	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Other due and payables	20,878	X	X	X	4,169	X	X	X
TOTAL	**7,988,794**	**-**	**7,988,794**	**-**	**7,791,592**	**-**	**-**	**-**

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

As at 31 December 2018, the "Loans to central banks" reports targeted long term refinancing operations (TLTRO II) with the European Central Bank.

1.2 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN OF DEPOSITS FROM CUSTOMERS

Type of transactions/Values	31 Dec. 2018				31 Dec. 2017			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	30,839,574	X	X	X	25,079,131	X	X	X
2. Time deposits	163,147	X	X	X	911,621	X	X	X
3. Loans	3,219	X	X	X	3,474	X	X	X
3.1 Repurchase agreements for funding purposes	-	X	X	X	-	X	X	X
3.2 Other	3,219	X	X	X	3,474	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Other due and payables	115,093	X	X	X	130,113	X	X	X
TOTAL	**31,121,033**	**-**	**31,121,033**	**-**	**26,124,339**	**-**	**-**	**-**

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

1.3 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF SECURITIES ISSUED

Type of transactions/Values	31 Dec. 2018				31 Dec. 2017			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	7,499,957	-	7,337,545	-	7,602,124	-	7,771,052	-
1.1 Structured	9,625	-	9,597	-	-	-	-	-
1.2 other	7,490,332	-	7,327,948	-	7,602,124	-	7,771,052	-
2. Other securities	670,605	-	-	670,606	388,280	-	1,227	387,099
2.1 Structured	-	-	-	-	-	-	-	-
2.2 other	670,605	-	-	670,606	388,280	-	1,227	387,099
TOTAL	**8,170,562**	**-**	**7,337,545**	**670,606**	**7,990,404**	**-**	**7,772,279**	**387,099**

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

1.4 DETAILS 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 June 2017	28 June 2027	at maturity	3M Euribor + 219 b.p.	euro	250,000	250,039
Subordinated deposit	11 Dec. 2017	11 Dec. 2027	at maturity	3M Euribor + 162 b.p.	euro	400,000	400,290
Subordinated deposit	14 Dec. 2018	14 Dec. 2028	at maturity	3M Euribor + 571 b.p.	euro	100,000	100,255
Lower tier II	31 March 2010	31 March 2020	in one payment at maturity	3.8% fixed-rate	euro	12,902	13,403
Lower tier II	31 May 2010	31 May 2023	in one payment at maturity	4% fixed-rate	euro	4,050	4,587
Lower tier II	20 Sept. 2010	20 Sept. 2022	in one payment at maturity	3.75% fixed-rate	euro	8,875	9,706
Lower tier II	16 Dec. 2013	16 Dec. 2020	in one payment at maturity	4.25% fixed-rate	euro	25,000	26,651
Lower tier II	15 Sept. 2014	15 Sept. 2019	in one payment at maturity	5.25% fixed-rate	euro	23,000	24,163
Lower tier II	18 Nov. 2014	18 Nov. 2021	in one payment at maturity	3.20% fixed-rate	euro	30,000	31,869
Lower tier II	25 March 2015	25 March 2021	in one payment at maturity	3% fixed-rate	euro	55,000	57,950
Lower tier II	25 July 2014	25 July 2019	in one payment at maturity	3.50% fixed-rate	euro	25,000	25,529
Lower tier II	12 Jan. 2015	12 Jan. 2020	in one payment at maturity	2.50% fixed-rate	euro	9,998	10,269
Lower tier II	25 March 2015	25 March 2020	in one payment at maturity	6M Euribor +485bps	euro	10,000	10,345
Lower tier II	20 April 2015	20 April 2021	in one payment at maturity	2.75% fixed-rate	euro	14,250	15,093
Lower tier II	31 March 2015	31 March 2021	in one payment at maturity	6M Euribor +300bps	euro	6,000	6,311
Lower tier II	20 Aug. 2013	20 Aug. 2019	in 5 annual instalments of the same amount as of 20 Aug. 2015	3.75% fixed-rate	euro	3,725	1,686
Lower tier II	24 Feb. 2014	24 Feb. 2020	in 5 annual instalments of the same amount as of 20 Aug. 2015	3% fixed-rate	euro	4,220	2,880
Lower tier II	10 Oct. 2014	10 Oct. 2020	in 5 annual instalments of the same amount as of 20 Aug. 2015	2.60% fixed-rate	euro	1,526	1,040

1.5 DETAILS OF STRUCTURED LIABILITIES

As at 31 December 2018, there were no structured liabilities.

1.6 FINANCE LEASE PAYABLES

Due to customers for finance leases totalled euro 1,135 thousand and referred to the residual amount due for principal under two property contracts signed with leasing companies.

Section 2 - Financial liabilities held for trading - Item 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN BY TYPE

Transaction type/Values	Total 31 Dec. 2018					Total 31 Dec. 2018ì7				
	Nominal or notional amount	Fair value			Fair value*	Nominal or notional amount	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1. Loans to banks	-	-	-	-	-	-	-	-	-	-
2. Loans 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		-	61,378	-			-	67,920	-	
1.1 Held for trading	X	-	61,336	-	X	X	-	67,920	-	X
1.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	42	-	X	X	-	-	-	X
2. Credit Derivatives		-	-	-			-	-	-	
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
TOTAL B	**X**	**-**	**61,378**	**-**	**X**	**X**	**-**	**67,920**	**-**	**X**
TOTAL (A+B)	**X**	**-**	**61,378**	**-**	**X**	**X**	**-**	**67,920**	**-**	**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 after the date of issue

2.2 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": SUBORDINATED LIABILITIES

At the end of 2018, there were no subordinated "Liabilities held for trading".

2.3 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": STRUCTURED LIABILITIES

At the end of 2018, there were no structured "Liabilities held for trading".

Section 4- Hedging derivatives - Item 40

4.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF CONTRACT AND UNDERLYING ASSET

	NV 31 Dec. 2018	Fair value 31 Dec. 2018			NV 31 Dec. 2017	Fair value 31 Dec. 2017		
		L1	L2	L3		L1	L2	L3
A. Financial Derivatives	**7,456,488**	**-**	**173,044**	**253,949**	**8,720,275**	**-**	**227,118**	**184,688**
1) Fair value	7,456,488	-	173,044	253,949	8,720,275	-	227,118	184,688
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
TOTAL	**7,456,488**	**-**	**173,044**	**253,949**	**8,720,275**	**-**	**227,118**	**184,688**

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

Transaction/ Type of hedge	Fair value							Cash flow		Investments in foreign operations
	Specific						Generic	Specific	Generic	
	Debt securities and interest rates	Debt securities and equity indices	Foreign exchange rates and gold	Credit risk	Commodities	Other				
1. Financial assets measured at fair value through other comprehensive income	236,691	-	-	-	X	X	X	-	X	X
2. Financial assets carried at amortized cost	110,516	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**347,207**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	79,786	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**79,786**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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 liabilities measured at amortized cost consisted of euro 246 thousand for hedging mortgage loans and euro 110,270 thousand for hedging securities measured at amortized cost.

The "Hedging Derivatives" item referring to financial liabilities consisted of euro 71,596 thousand for hedging own bonds issued and euro 8,190 thousand for hedging deposits.

Section 5 - Fair value change of financial liabilities in macro-hedge portfolios - Item 50

5.1 CHANGE IN VALUE OF HEDGED LIABILITIES: BREAKDOWN BY HEDGED PORTFOLIO

Change in value of hedged liabilities /Values	Total 31 Dec. 2018	Total 31 Dec. 2017
1. Increase in fair value of hedged financial liabilities	266,840	261,708
2. Decrease in fair value of hedged financial liabilities	7,206	-
TOTAL	**259,634**	**261,708**

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 7 - Liabilities associated with non-current assets held for sale and discontinued operations - Item 70

Please, see Section 11 – Assets.

Section 8 - Other liabilities – Item 80

8.1 OTHER LIABILITIES: BREAKDOWN

	31 Dec. 2018	31 Dec. 2017
Trade payables	86,032	68,303
Amounts due to third parties	298,286	211,865
Credit transfers ordered and being processed	18,735	48,783
Amounts payable to tax authorities on behalf of third parties	61,570	46,154
Advances on loans to mature	373	23
Adjustments for illiquid items	212,023	73
Personnel expenses	54,065	45,061
Uncapitalized accrued expenses	6,856	6,626
Deferred income not allocated to other items	27,782	73,366
Risk hedging for guarantees issued and commitments		5,424
Sundry items	241,731	128,054
TOTAL	**1,007,453**	**633,732**

As at 31 December 2018, the “Other liabilities” item no longer reported risk hedging for guarantees issued and commitments, which amounted to euro 5,424 thousand, as this component was reported under the “Provisions for risks and charges” item, sub-item a) “commitments and guarantees issued, subsequent to the IFRS 9 adoption.

The “Sundry” sub-item reports, among other things, the commitments undertaken by Crédit Agricole Italia to the former shareholders of the Fellini Banks.

Section 9 - Employee severance benefits - Item 90

9.1 EMPLOYEE SEVERANCE BENEFITS: CHANGES FOR THE YEAR

	31 Dec. 2018	31 Dec. 2017
A. Opening balance	**87,565**	**99,111**
B. Increases	**23,207**	**930**
B.1 Provision for the year	1,038	930
B.2 Other changes	22,169	-
C. Decreases	**15,963**	**12,476**
C.1 Severance payments	15,963	12,015
C.2 Other changes	-	461
D. Closing balance	**94,809**	**87,565**
TOTAL	**94,809**	**87,565**

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 2018 of the present value of the plan obligation for Crédit Agricole Italia is given below:

Actuarial value of the obligation as at 1 Jan. 2018	**87,565**
a. Service cost	47
b. Interest cost	991
c. Transfer in/out	19,859
d.1 Actuarial gains/losses from changes in financial assumptions	2,065
d.2 Actuarial gains/losses from changes in demographic assumptions	7
d.3 Actuarial gains/losses from demographic experience	238
e. Payments provided for by the Plan	-15,963
Actuarial value of the obligation as at 31 Dec. 2018	**94,809**

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 rgs48;

a.2 annual probabilities of exclusion due to causes other than death of employees on staff were calculated based on appropriate smoothing of historical data of the Group and, therefore, an annual frequency of turnover of 3.25% was used;

a.3 the annual probability of request for advances on the accrued severance benefits was calculated based on the Group's experience and was assumed as equal to an average annual rate of 3.00%;

a.4 retirement is assumed upon meeting the first requirement to qualify for pension.

b) ECONOMIC TECHNICAL BASES

b.1 to calculate the Present Value for the various Plans, in compliance with the instructions given by Crédit Agricole S.A., the rate adopted was IBOXX AA 0.91% (IBOXX duration 7-10 years);
b.2 the cost of living index for white-collar and blue-collar households, required for the revaluation of the employee severance benefits amounts allocated to provision, was assumed at 1.75%, 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 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 aforementioned main assumptions are given below:

Discount rate

Actuarial value of the obligation as at 31 Dec. 2018		
Central assumption	+50 bps	-50 bps
94,809	91,638	98,161

Inflation rate

Actuarial value of the obligation as at 31 Dec. 2018		
Central assumption	+50 bps	-50 bps
94,089	96,859	92,866

Turnover rate

Actuarial value of the obligation as at 31 Dec. 2018		
Central assumption	+100 bps	-100 bps
94,809	94,283	95,382

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	31 Dec. 2018	31 Dec. 2017
1. Provisions for credit risk allowances for commitments and financial guarantees issued	30,007	
2. Provisions for other commitments and guarantees issued	-	
3. Company pension plans	35,621	15,131
4. Other provisions for risks and charges	285,528	109,284
4.1 Legal and tax-related disputes	62,996	39,661
4.2 Personnel expenses	128,872	45,925
4.3 Other	93,660	23,698
TOTAL	**351,156**	**124,415**

Subsequent to the adoption of the IFRS 9, the "Provisions for risks and charges" item includes also the "Commitments and guarantees issued" sub-item, which, as at 31 December 2017, was reported under the "Other liabilities" item for an amount of euro 5,424 thousand.

10.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES FOR THE YEAR

	Allowances on other commitments and other guarantees issue	Post-employment benefits	Other allowances for risk and charges	Total
A. Opening balance	**-**	**15,131**	**109,284**	**124,415**
B. Increases	**-**	**24,104**	**310,560**	**334,664**
B.1 Provision for the year	-	-	52,055	52,055
B.2 Changes due to the time value of money	-	371	6	377
B.3 Changes due to discount rate charges	-	-	-	-
B.4 Other changes	-	23,733	258,499	282,232
C. Decreases	**-**	**3,614**	**134,316**	**137,930**
C.1 Use in the year	-	3,614	86,603	90,217
C.2 Changes due to discount rate charges	-	-	-	-
C.3 Other changes	-	-	47,713	47,713
D. Closing balance	**-**	**35,621**	**285,528**	**321,149**

10.3 PROVISIONS FOR CREDIT RISK RELATIVE TO COMMITMENTS AND FINANCIAL GUARANTEES ISSUED

	Credit risk allowances for commitments and financial guarantees given			
	First stage	Second stage	Third stage	Total
Commitments to disburse funds	1,286	3,945	45	5,276
Financial guarantees issued	2,599	3,241	18,891	24,731
TOTAL	**3,885**	**7,186**	**18,936**	**30,007**

10.4 PROVISIONS FOR OTHER COMMITMENTS AND GUARANTEES ISSUED

As at 31 December 2018, there were no provisions for other commitments and guarantees issued.

10.5 DEFINED BENEFIT COMPANY PENSION FUNDS

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 2018, 246 people (114 women and 132 men) were the beneficiaries of Crédit Agricole Italia Pension Fund, to whom a gross annual supplementary pension is paid amounting to euro 7,047.30.

The average age of Crédit Agricole Italia beneficiaries is 79.5 years.

2. Changes for the year in defined-benefit net liabilities (assets) and in rights to repayment from the plan

As regards the various plans mentioned above, the reconciliation, as to Crédit Agricole Italia, for 2018 is given below:

Actuarial value of the obligation as at 1 Jan. 2018	15,131
a. Service cost	-
b. Interest cost	371
c.1 Actuarial gains/losses from changes in financial assumptions	-86
c.2 Actuarial gains/losses from changes in demographic assumptions	3,075
c.3 Actuarial gains/losses from demographic experience	-1,833
d. Payments provided for by the Plan	-3,614
e. From the business combination	22,577
Actuarial value of the obligation as at 31 Dec. 2018	**35,621**

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, including:

- mortality;
- probability to have a family;
- performance of the actual purchasing power of money.

The main economic and demographic assumptions are given below, which have been used for the plan measurement and have been made based on the information provided by the Company subject to assessment and on market data/statistics:

- annual probability of exclusion due to death of employees not on staff were calculated based on 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 1.00%.

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. 2018		
Central assumption	+50 bps	-50 bps
35,621	34,266	37,079

Mortality rate

Actuarial value of the obligation as at 31 Dec. 2018		
Central assumption	+20 bps	-20 bps
35,261	32,672	37,445

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 2018 and the remaining portion of those allocated in 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.

A dispute is pending on registration taxes with the Agenzia delle Entrate, the Italian Inland Revenue Service. The Agenzia delle Entrate has reclassified the transfers of branches from Intesa Sanpaolo to Crédit Agricole 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, plus interest, respectively. On the first two disputes, in 2017 the Court of second instance issued a favourable judgment, against which the Agenzia delle Entrate filed appeal with the Italian Court of Cassation; on the third dispute, in 2018 the Court of second instance issued a favourable judgement for which the terms to file appeal with the Court of Cassation have not yet elapsed. 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.

Although the Group firmly believes and reasserts that its doings were fully lawful, it will assess, for risk mitigation purposes only and in agreement with all the parties involved, whether to exercise, totally or in part and by the set deadline (May 2019), the option provided for by Italian Decree Law 119/2018 that introduced tax amnesty measures including the possibility to settle some tax disputes by paying lower taxes and no penalties and interest.

To this end, Crédit Agricole Italia allocated a provision of euro 1.35 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 above Law, the Italian State provided a contribution to tax payers that took out floating-rate mortgage loans for the purchase of their home amounting to the interest paid by the same tax payers in 2009 at a rate over 4%. This amount was to be credited directly by the lending banks that would recover it through a tax account receivable.

The Italian Inland Revenue Service has refused to acknowledge the portion of this tax account receivable relating to amounts actually credited to customers in 2010 and issued the relevant tax payment form.

Consequently, Crédit Agricole 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

In December 2017, Sliders Srl – a fully-owned subsidiary of Crédit Agricole Italia subsequent to a complex transaction for the turnaround of the RDB Group – was served a verification notice, regarding the determination of the subsidiary's income and claiming payment of taxes for euro 4.1 Mln plus euro 3.7 Mln worth of penalties and interest. Firmly believing and reasserting that the subsidiary's doings was fully lawful, as Sliders has and had nothing to gain or to lose from the transaction, an agreements was made, only for risk mitigation purposes, settling the dispute with a final payment of approximately euro 1.1 million.

Subsequent to the merger of the Banks acquired at the end of 2017, Crédit Agricole Italia took over all the legal rights and obligations of the merged entities and, therefore, also those regarding tax disputes.

In this regard, it is to be reported that Cassa di Risparmio di Cesena S.p.A. had a pending dispute, which now has been taken on by Crédit Agricole Italia, for an amount of euro 0.126 million concerning a property transfer, about which the Agenzia delle Entrate (the Italian Revenue Agency) has claimed that the related mortgage, cadastral and registration tax had not been correctly determined. The bank won in both first and second instance court proceedings.

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. As regards this dispute, the tax amnesty option is going to be exercised, which shall entail an expense of euro 0.3 million, which is fully covered by a provision for tax-related disputes acquired with the merger.

Finally, it is reported that some disputes concerning registration tax on legal deeds are pending, for a total amount of euro 0.4 million, regarding the absorbed Cassa di Risparmio di Rimini S.p.A. For all disputes, the start of first instance court proceedings is still pending. The Bank 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.

Section 12 - Group 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 962,672,153 ordinary shares. No treasury shares were held.

12.2 SHARE CAPITAL - PARENT COMPANY'S NUMBER OF SHARES: CHANGES FOR THE YEAR

Items/Types	Ordinary	Other
A. Shares - opening balance	**934,837,845**	**-**
- fully paid in	934,837,845	-
- partially paid in	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	934,837,845	-
B. Increases	**27,834,308**	**-**
B.1 New issues	27,834,308	-
- for a consideration:	27,834,200	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	108	-
- other	27,834,200	-
- 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	**962,672,153**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares - closing balance	962,672,153	-
- fully paid in	962,672,153	-
- partially paid in	-	-

For more exhaustive reporting, please refer to Part A of the Note to the Financial Statements "Section 4 - Other aspects".

12.3 CAPITAL: OTHER INFORMATION

The unit nominal value of the 962,672,153 ordinary shares is euro 1.

12.4 RETAINED EARNINGS RESERVES: OTHER INFORMATION

Items/Types	Amounts
Legal reserve	164,343
Reserves provided for by the Articles of Association	589,045
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	17,683
Reserve for acquisition of branches	-
Reserve for interest on Additional Tier 1 Instruments	-39,412
Merger surplus	481,676
Reserve from the sale of financial assets at fair value through other comprehensive income	2,326
Carim IAS 19 revised first-time adoption reserve	-305
Retained earnings reserves	**1,215,675**
Reserve from share-based payments (**)	2,815
Total reserves	**1,218,490**

(*) Reserve pursuant to Article 13 of Italian Legislative Decree 124/93 to take advantage of tax relief on the portions of Employee severance benefits to be used for supplementary pension schemes.
(**) Reserve recognizing the increase in equity resulting from payments based on shares of the controlling company Crédit Agricole SA. made to employees and Directors

12.5 EQUITY INSTRUMENTS: COMPOSITION AND CHANGES FOR THE PERIOD

Equity instruments increased from euro 365 million to euro 715 million, subsequent to the issue of an additional tier 1 (AT1) subordinated instrument for euro 350 million.

OTHER INFORMATION

1. COMMITMENTS AND FINANCIAL GUARANTEES ISSUED OTHER THAN THOSE DESIGNATED AT FAIR VALUE

	Nominal value on commitments and financial guarantees issued			Total 31 Dec. 2018
	First stage	Second stage	Third stage	
Commitments to disburse funds	**450,548**	**36,165**	**57,900**	**544,613**
a) Central Banks	-	-	-	-
b) Public administration bodies	5,652	-	-	5,652
c) Banks	7,506	-	-	7,506
d) Other financial companies	155,738	1,376	218	157,332
e) non-financial corporations	208,691	23,246	56,826	288,763
f) Households	72,961	11,543	856	85,360
Financial guarantees issued	**1,749,234**	**92,138**	**65,889**	**1,907,261**
a) Central Banks	-	-	-	-
b) Public administration bodies	876	58	200	1,134
c) Banks	383,399	2,013	-	385,412
d) Other financial companies	49,146	22,209	212	71,567
e) non-financial corporations	1,256,074	53,121	64,620	1,373,815
f) Households	59,739	14,737	857	75,333

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down Guarantees issued and commitments is reported below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

1. GUARANTEES GIVEN AND COMMITMENTS

Transactions	31 Dec. 2017
1) Financial guarantees issued	689,528
a) banks	211,752
b) customers	477,776
2) Commercial guarantees issued	894,213
a) banks	102,460
b) customers	791,753
3) Irrevocable commitments to disburse funds	793,521
a) banks	3,686
i) certain use	3,454
ii) uncertain use	232
b) customers	789,835
i) certain use	5,691
ii) uncertain use	784,144
4) Commitments underlying credit derivatives: protection sales	-
5) Assets pledged as collaterals for third-party debts	-
6) Other commitments	7,503
TOTAL	**2,384,765**

3. ASSETS PLEDGED AS COLLATERAL FOR OWN LIABILITIES AND COMMITMENTS

Portfolios	Amount 31 Dec. 2018
1. Financial assets measured at fair value through profit or loss	-
2. Financial assets measured at fair value through other comprehensive income	161,250
3. Financial assets measured at amortized cost	6,939,310
4. Property, Plant and Equipment	-
- of which: property, plant and equipment inventories	-

In 2018 no assets were reclassified pursuant to IFRS 9, paragraph 3.2.23.

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down Assets pledged as collateral for own liabilities and commitments is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

2. ASSETS PLEDGED AS COLLATERAL FOR OWN LIABILITIES AND COMMITMENTS

Portfolios	31 Dec. 2017
1. Financial assets held for trading	-
2. Financial assets measured at fair value	-
3 Financial assets available for sale	224,852
4. Investments held to maturity	1,550,009
5. Loans to banks	-
6. Loans to customers	4,883,051
7. Property, Plant and Equipment	-

4. INFORMATION OF OPERATING LEASES

OPERATING LEASES – LESSEE – IAS 17 ART. 35 – LETTER A/B

Future minimum payments due under non-cancellable leases	< 1 year	1<> 5 years	> 5 years	Indefinite maturity	Total
Land	-	-	-	-	-
Buildings	-	-	-	-	-
Furniture	-	-	-	-	-
Electronic systems- Hardware	-	-	-	-	-
Electronic systems - other	-	-	-	-	-
Other - motor-vehicles (including cars)	936	1,055			1,991
Other - office machinery	-	-	-	-	-
Other - telephones (landline and mobile)	-	-	-	-	-
Other - other	-	-	-	-	-
Software	-	-	-	-	-
TOTAL	**936**	**1,055**	**-**	**-**	**1,991**

OPERATING LEASES – LESSEE – IAS 17 ART. 35 – LETTER C

Expenses for the period	Minimum payments	Potential lease payments	Payments from subleases	Total
Land	-	-	-	-
Buildings	-	-	-	-
Furniture	-	-	-	-
Electronic systems- Hardware	-	-	-	-
Electronic systems - other	-	-	-	-
Other - motor-vehicles (including cars)	1,147	-	-	1,147
Other - office machinery	73	-	-	73
Other - telephones (landline and mobile)	-	-	-	-
Other - other	-	-	-	-
Software	-	-	-	-
TOTAL	**1,220**	**-**	**-**	**1,220**

OPERATING LEASES – LESSEE – IAS 17 ART. 35 – LETTER D

Description of contracts	Criteria for determining lease payments	Renewal or purchase options	Indexing clauses
Other - motor-vehicles (including cars)	Fee determined based on make, model, engine size and accessories of each vehicle and including additional services	The customer shall have the right to request an extension of the contract, with prior acceptance by the renting Company, at a fee that the renting Company may revise	-
Other - office machinery	Photocopiers: fixed monthly fee for each machine	Photocopiers: purchase option at the end of the lease	-

5. ASSET MANAGEMENT AND TRADING ON BEHALF OF THIRD PARTIES

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	**873,980**
3. Custody and administration of securities	**60,622,175**
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	27,275,135
1. Securities issued by the reporting Bank	1,433,703
2. other securities	25,841,432
c) third-party securities deposited with third parties	26,590,437
c) proprietary securities deposited with third parties	6,756,603
4 Other transactions	**-**

6. FINANCIAL ASSETS SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

Technical forms	Gross amount of financial assets (a)	Amount of financial liabilities offset	Net amount of financial assets recognised (c=a-b)	Related amounts not subject to offsetting		Net amount (f=c-d-e) 31 Dec. 2018	Amount 31 Dec. 2017
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	490,181	-	490,181	444,984	21,001	24,196	24,865
2. Repurchase agreements	634,470	-	634,470	-	-	634,470	678,311
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31 DEC. 2018	**1,124,651**	**-**	**1,124,651**	**444,984**	**21,001**	**658,666**	**X**
TOTAL 31 DEC. 2017	**1,153,928**	**-**	**1,153,928**	**433,444**	**17,308**	**X**	**703,176**

7. 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 recognised (c=a-b)	Related amounts not subject to offsetting		Net amount (f=c-d-e) 31 Dec. 2018	Amount 31 Dec. 2017
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	488,371	-	488,371	444,984	-	43,387	46,282
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31 DEC. 2018	**488,371**	**-**	**488,371**	**444,984**	**-**	**43,387**	**X**
TOTAL 31 DEC. 2017	**479,726**	**-**	**479,726**	**433,444**	**-**	**X**	**46,282**

The 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, the Crédit Agricole Italia Group has signed bilateral netting agreements (ISDA) 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) 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 recognised at fair value.

These effects are calculated for each individual counterparty covered by a 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 between financial instruments and the related collateral, the credit/debt exposure to the counterparty 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 Dec. 2018
1. Financial assets measured at fair value through profit or loss	598	-	-	598
1.1 Financial assets held for trading	598	-	-	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	45,043	-	X	45,043
3. Financial assets measured at amortized cost	47,700	634,616	-	682,316
3.1 Loans to banks	10	9,750	X	9,760
3.2 Loans to customers	47,690	624,866	X	672,556
4. Hedging derivatives	X	X	(49,306)	(49,306)
5. Other assets	X	X	2,259	2,259
6. Financial liabilities	X	X	X	18,989
TOTAL	**93,341**	**634,616**	**(47,047)**	**699,899**
of which: interest income on impaired financial assets	-	49,186	-	49,186

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.

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down IAS 39 Interest and similar income is reported below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

1.1 INTEREST AND SIMILAR INCOME: BREAKDOWN

Items/Technical forms	Debt securities	Loans	Other transactions	31 Dec. 2017
1. Financial assets held for trading	8	-	-	8
2. Financial assets available for sale	69,384	-	-	69,384
3. Investments held to maturity	8,530	-	-	8,530
4. Loans to banks	-	15,617	-	15,617
5. Loans to customers	5,431	477,405	-	482,836
6. Financial assets measured at fair value	-	-	-	-
7. Hedging derivatives	X	X	145,200	145,200
8. Other assets	X	X	15,881	15,881
TOTAL	**83,353**	**493,022**	**161,081**	**737,456**

The 5th update of Circular 262 requires that differentials on hedging derivatives, related to single items/technical forms, be reported under interest income or interest expense in accordance with the algebraic sign of interest (income or expense) of the single item/technical form that derivative contracts change. Before, the balance of all differentials on hedging derivatives was reported, in accordance with the related algebraic sign, under interest income or interest expenses.

1.2 INTEREST AND SIMILAR INCOME: OTHER INFORMATION

1.2.1 INTEREST INCOME FROM FOREIGN-CURRENCY FINANCIAL ASSETS

As at 31 December 2018, interest income on foreign-currency financial assets came to euro 4,637 thousand

1.2.2 INTEREST INCOME FROM FINANCE LEASES

In 2018, there was no interest income resulting from finance lease transactions.

1.3 INTEREST AND SIMILAR EXPENSES: BREAKDOWN

Items/Technical forms	Due and payables	Securities	Other transactions	Total 31 Dec. 2018	Total 31 Dec. 2017
1. Financial liabilities measured at amortized cost	(76,504)	(90,676)		(167,180)	(57,241)
1.1 Loans to central banks	(13,455)	X	X	(13,455)	(5,129)
1.2 Loans to banks	(28,732)	X	X	(28,732)	(29,304)
1.3 Loans to customers	(34,317)	X	X	(34,317)	(22,808)
1.4 Debt securities issued	X	(90,676)	X	(90,676)	-
2. Financial liabilities held for trading	-	-	-	-	(80,002)
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(620)	(620)	(220)
5. Hedging derivatives	X	X	185,035	185,035	-
6. Financial assets	X	X	X	(9,021)	(5,292)
TOTAL	**(76,504)**	**(90,676)**	**184,415**	**8,214**	**(142,755)**

The 5th update of Circular 262 requires that differentials on hedging derivatives, related to single items/technical forms, be reported under interest income or interest expense in accordance with the algebraic sign of interest (income or expense) of the single item/technical form that derivative contracts change. Before, the balance of all differentials on hedging derivatives was reported, in accordance with the related algebraic sign, under interest income or interest expenses.

1.4 INTEREST AND SIMILAR EXPENSES: OTHER INFORMATION

1.4.1 INTEREST EXPENSES ON FOREIGN-CURRENCY FINANCIAL ASSETS

As at 31 December 2018, interest expense on foreign-currency financial assets came to euro 1,487 thousand.

11.4.2 INTEREST EXPENSES ON FINANCE LEASES

As at 31 December 2018, interest expenses on finance leases came to euro 14 thousand.

1.5 SPREADS ON HEDGING TRANSACTIONS

Items	Total 31 Dec. 2018	Total 31 Dec. 2017
A. Positive differentials on hedging transactions	253,671	267,229
B. Negative differentials on hedging transactions	(117,941)	(122,029)
C. Balance (A-B)	**135,730**	**145,200**

Section 2 – Fees and Commissions – Items 40 and 50

2.1 FEE AND COMMISSION INCOME: BREAKDOWN

Service type/Values	Total 31 Dec. 2018	Total 31 Dec. 2017
a) guarantees issued	15,614	12,204
b) credit derivatives	-	-
c) management, intermediation and advisory services:	421,145	327,416
1. trading in financial instruments	-	-
2. foreign exchange trading	3,459	2,983
3. asset management	10,087	10,004
4. custody and administration of securities	4,087	3,588
5. depositary bank services	-	-
6. placement of securities	142,451	120,980
7. receipt and transmission of orders	8,511	6,531
8. advisory services	26,049	185
8.1 on investments	123	25
8.1 on financial structure	25,926	160
9. distribution of third-party services	226,501	183,145
9.1. asset management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2 insurance products	195,864	161,210
9.3. other products	30,637	21,935
d) collection and payment services	45,447	33,209
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	158,931	123,722
j) other services	69,231	67,935
TOTAL	**710,368**	**564,486**

Sub-item “j) other services” mainly reports fees and commissions on debit and credit cards and on e-money services amounting to euro 36,986 thousand and fees and commissions for loans granted amounting to euro 4,486 thousand.

2.2 FEE AND COMMISSION INCOME: DISTRIBUTION CHANNELS FOR PRODUCTS AND SERVICES

Service type/Values	Total 31 Dec. 2018	Total 31 Dec. 2017
a) At own branches:	**379,039**	**314,129**
1. asset management	10,087	10,004
2. placement of securities	142,451	120,980
3. third party products and services	226,501	183,145
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	**379,039**	**314,129**

2.3 FEE AND COMMISSION EXPENSES: BREAKDOWN

Services/Values	Total 31 Dec. 2018	Total 31 Dec. 2017
a) Guarantees received	(11,119)	(11,546)
b) Credit derivatives	-	-
c) Management and intermediation services:	(6,864)	(6,425)
1. trading in financial instruments	(1,461)	(1,316)
2. foreign exchange trading	-	-
3. asset management:	(1,991)	(1,947)
3.1 own portfolio	-	-
3.2 third-party portfolio	(1,991)	(1,947)
4. custody and administration of securities	(1,326)	(1,053)
5. placement of financial instruments	(2,086)	(2,109)
6. off-premises distribution of financial instruments, products and services	-	-
d) Collection and payment services	(2,962)	(1,978)
e) Other services	(13,291)	(21,748)
TOTAL	**(34,236)**	**(41,697)**

Sub-item "j) other services" mainly reports fees and commissions on debit and credit cards and e-money services amounting to euro 7,463 thousand.

Section 3 – Dividends and similar income - Item 70

3.1 DIVIDENDS AND SIMILAR INCOME: BREAKDOWN

Items/Income	Total 31 Dec. 2018	
	Dividends	Similar income
A. Financial assets held for trading	260	66
B. Other financial assets mandatorily measured at fair value	111	-
C. Financial assets measured at fair value through other comprehensive income	11,842	-
D. Equity investments	55,962	-
TOTAL	**68,175**	**66**

The main dividends for the year referred to the controlling equity investment in Crédit Agricole FriulAdria (euro 35,864 thousand) and in Crédit Agricole Carispezia (euro 20,098 thousand) as well as 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 6,907 thousand).

Income referred to the units of O.I.C.R. collective investment undertakings held.

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down IAS 39 Dividends and similar income is reported below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

3.1 DIVIDENDS AND SIMILAR INCOME: BREAKDOWN

Items/Income	31 Dec. 2017	
	Dividends	Income from units of collective investment undertakings
A. Financial assets held for trading	1	-
B. Financial assets available for sale	7,744	-
C. Financial assets measured at fair value	-	-
D. Equity investments	42,189	X
TOTAL	**49,934**	**-**

Section 4 - Net profit (loss) from 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	**174**	**821**	**(2,345)**	**(480)**	**(1,830)**
1.1 Debt securities	47	451	(145)	(61)	292
1.2 Equity securities	-	64	-	(4)	60
1.3 Undertakings for Collective Investments in Transferable Securities	127	16	(2,200)	(297)	(2,354)
1.4 Loans	-	-	-	-	-
1.5 Other	-	290	-	(118)	172
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Due and payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**4,596**
4. Derivatives	**38,480**	**35,212**	**(38,099)**	**(31,054)**	**4,722**
4.1 Financial derivatives:	38,480	35,212	(38,099)	(31,054)	4,722
- On debt securities and interest rates	38,438	34,582	(37,650)	(30,447)	4,923
- On equity securities and equity indices	-	-	(411)	-	(411)
- On foreign exchange and gold	X	X	X	X	183
- Other	42	630	(38)	(607)	27
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	X	X	X	X	-
TOTAL	**38,654**	**36,033**	**(40,444)**	**(31,534)**	**7,488**

Section 5 - Net profit (loss) from hedging - Item 90

5.1 NET PROFIT (LOSS) FROM HEDGING: BREAKDOWN

Income components/Values	Total 31 Dec. 2018	Total 31 Dec. 2017
A. Income on:		
A.1 Fair value hedging derivatives	219,697	321,864
A.2 Hedged financial assets (fair value)	47,537	22,976
A.3 Hedged financial liabilities (fair value)	64,373	192,589
A.4 Cah flow hedging financial derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**331,607**	**537,429**
B. Expenses on:		
B.1 Fair value hedging derivatives	(165,032)	(510,596)
B.2 Hedged financial assets (fair value)	(26,110)	(30,449)
B.3 Hedged financial liabilities (fair value)	(147,538)	(5,216)
B.4 Cash flow hedging financial derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses on hedging activities (B)	**(338,680)**	**(546,261)**
C. Net profit (loss) on hedging (A - B)	**(7,073)**	**(8,832)**
of which: fair value adjustments in hedge accounting on net positions	-	-

Section 6 - Gain (loss) on disposal or repurchase - Item 100

6.1 PROFITS (LOSSES) ON DISPOSAL/REPURCHASE: BREAKDOWN

Items/Income components	Total 31 Dec. 2018		
	Profits	Losses	Net profit (loss)
A. Financial Assets			
1. Financial assets measured at amortized cost	58,460	(64,883)	(6,423)
1.1 Loans to banks	366	-	366
1.2 Loans to customers	58,094	(64,883)	(6,789)
2. Financial assets measured at fair value through other comprehensive income	16,682	(2,735)	13,947
2.1 Debt securities	16,682	(2,735)	13,947
2.2 Loans	-	-	-
Total assets (A)	**75,142**	**(67,618)**	**7,524**
B. Financial liabilities measured at amortized cost			
1. Loans to banks	-	-	-
2. Loans to customers	-	-	-
3. Debt securities issued	773	(515)	258
Total liabilities (B)	**773**	**(515)**	**258**

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 stating Profits (Losses) on disposal/repurchase is reported below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

6.1 PROFITS (LOSSES) ON DISPOSAL/REPURCHASE: BREAKDOWN

Items/Income components	31 Dec. 2017		
	Profits	Losses	Net profit (loss)
Financial assets			
1. Loans to banks	-	-	-
2. Loans to customers	15,226	(25,441)	(10,215)
3 Financial assets available for sale	61,985	(28,335)	33,650
3.1 Debt securities	59,574	(28,335)	31,239
3.2 Equity securities	2,411	-	2,411
3.3 Units of collective investment undertakings	-	-	-
3.4 Loans	-	-	-
4. Investments held to maturity	-	-	-
Total assets	**77,211**	**(53,776)**	**23,435**
Financial liabilities			
1. Loans to banks	-	-	-
2. Loans to customers	-	-	-
3. Debt securities issued	152	(1,143)	(991)
Total liabilities	**152**	**(1,143)**	**(991)**

Section 7 - Net profit (loss) from financial assets and liabilities measured at fair value through profit or loss - Item 110

7.2 NET CHANGES IN OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS: BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS PER MANDATORY REQUIREMENTS

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	**12**	**2,940**	**-**	**(2)**	**2,950**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	12	2,940	-	(2)	2,950
1.3 Undertakings for Collective Investments in Transferable Securities	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: exchange rate differences	**X**	**X**	**X**	**X**	**-**
TOTAL	**12**	**2,940**	**-**	**(2)**	**2,950**

Section 8 - Net impairment (losses)/reversals for credit risk - Item 130

8.1 NET IMPAIRMENT (LOSSES)/REVERSAL ON FINANCIAL ASSETS MEASURED AT AMORTISED COST: BREAKDOWN

Transactions/income components	Losses (1)			Recoveries (2)		Total 31 Dec. 2018
	First and second stage	Third stage		First and second stage	Third stage	
		Write-off	Other			
A. Loans to banks	**(1,186)**	**-**	**-**	**771**	**-**	**(415)**
- Loans	(1,186)	-	-	771	-	(415)
- Debt securities	-	-	-	-	-	-
of which: POCI	-	-	-	-	-	-
B. Loans to customers	**(111,589)**	**(24,834)**	**(237,671)**	**127,335**	**61,070**	(185,689)
- Loans	(110,479)	(24,834)	(237,671)	127,179	61,070	(184,735)
- Debt securities	(1,110)	-	-	156	-	(954)
of which: POCI	-	-	-	-	-	-
TOTAL	**(112,775)**	**(24,834)**	**(237,671)**	**128,106**	**61,070**	**(186,104)**

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down the “Losses/recoveries on impairment of loans” item is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

8.1 NET LOSSES ON IMPAIRMENT OF LOANS: COMPOSITION

Transactions/income components	Losses			Recoveries				31 Dec. 2017
	Specific			Specific		Portfolio		
	Write-off	Other	Portfolio	A	B	A	B	
A. Loans to banks	-	-	-	-	-	-	-	-
- loans	-	-	-	-	-	-	-	-
- debt securities	-	-	-	-	-	-	-	-
B. Loans to customers	(10,340)	(233,161)	(25,196)	42,337	43,482	-	43,481	(139,397)
Non-performing loans purchased	-	-	-	-	-	-	-	-
- loans	-	-	X	-	-	X	X	-
- debt securities	-	-	X	-	-	X	X	-
Other loans and receivables	(10,340)	(233,161)	(25,196)	42,337	43,482	-	43,481	(139,397)
- loans	(10,340)	(233,161)	(25,196)	42,337	43,482	-	43,481	(139,397)
- debt securities	-	-	-	-	-	-	-	-
C. Total	**(10,340)**	**(233,161)**	**(25,196)**	**42,337**	**43,482**	**-**	**43,481**	**(139,397)**

Key A = from interest B = Other recoveries/writebacks

8.2 NET IMPAIRMENT (LOSSES)/REVERSAL ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN

Transactions/income components	Losses (1)			Recoveries (2)		Total 31 Dec. 2018
	First and second stage	Third stage		First and second stage	Third stage	
		Write-off	Other			
A. Debt securities	**(768)**	**-**	**-**	**189**	**-**	**(579)**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**
- to customers	-	-	-	-	-	-
- to banks	-	-	-	-	-	-
of which: POCI	-	-	-	-	-	-
TOTAL	**(768)**	**-**	**-**	**189**	**-**	**(579)**

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 breaking down the items Net losses on impairment of financial assets available for sale and Net losses on impairment of other financial transactions is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

8.2 NET LOSSES ON IMPAIRMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE: BREAKDOWN

Transactions/income components	Losses		Recoveries		31 Dec. 2017
	Specific		Specific		
	Write-off	Other	A	B	
A. Debt securities	-	-	-	-	-
B. Equity securities	-	(18,246)	X	X	(18,246)
C. Units of collective investment undertakings	-	(254)	X	-	(254)
D. Loans to banks	-	-	-	-	-
E. Loans to customers	-	-	-	-	
F. Total	**-**	**(18,500)**	**-**		**(18,500)**

Key A = from interest B = Other recoveries/writebacks

8.4 NET LOSSES ON IMPAIRMENT OF OTHER FINANCIAL TRANSACTIONS: BREAKDOWN

Transactions/income components	Losses			Recoveries				31 Dec. 2017
	Specific		Portfolio	Specific		Portfolio		
	Write-off	Other		A	B	A	B	
A. Guarantees issued	-	(3,354)	(114)	131	1,506	-	811	(1,020)
B. Credit derivatives	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-
E. Total		**(3,354)**	**(114)**	**131**	**1,506**		**811**	**(1,020)**

Key A = from interest B = Other recoveries/writebacks

Section 9 - Modification Gains/(losses) - Item 140

9.1 MODIFICATION GAINS/(LOSSES)

Losses on contract modifications came to euro 970 thousand.

Section 10 - Administrative expenses – Item 160

10.1 PERSONNEL EXPENSES: BREAKDOWN

Expense type/Values	Total 31 Dec. 2018	Total 31 Dec. 2017
1) employees	(531,243)	(405,170)
a) wages and salaries	(372,615)	(291,540)
b) social security contributions	(98,411)	(77,505)
c) severance benefits	(562)	(217)
d) pensions	-	-
e) allocation to employee severance benefit provision	(1,038)	(930)
f) allocation to provision for post-employment and similar obligations:	(371)	(146)
- defined-contribution	-	-
- defined-benefit	(371)	(146)
g) payment to external supplementary pension schemes:	(33,390)	(25,134)
- defined-contribution	(33,390)	(25,134)
- defined-benefit	-	-
h) costs from share-based payment agreements	-	-
i) other employee benefits	(24,856)	(9,698)
2) Other staff	(1,049)	(1,514)
3) Directors and Auditors	(1,589)	(1,158)
4) Retired personnel	-	-
5) Expense recovery for employees seconded to other companies	12,731	9,877
6) Expense refund for third parties' employees seconded to the company	(12,307)	(12,027)
TOTAL	**(533,457)**	**(409,992)**

10.2 AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY

	Total 31 Dec. 2018
employees:	6,730
a) Senior Managers	86
b) Junior Managers	3,086
c) other employees	3,558
Other staff	47

10.3 DEFINED-BENEFIT COMPANY PENSION PLANS: COSTS AND REVENUES

Type of expenses/Values	Total 31 Dec. 2018	Total 31 Dec. 2017
Provision for the year	-	-
Changes due to passage of time	(371)	(146)

10.4 OTHER EMPLOYEE BENEFITS

These mainly consisted of the cost for the voluntary redundancy plan (Solidarity Fund) allocated in 2018, voluntary redundancy incentives and non-occupational policies, as well as to the contribution to the bank employees' cultural and recreational club.

10.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

Type of expenses/Values	Total 31 Dec. 2018	Total 31 Dec. 2017
Direct and indirect taxes	(92,898)	(73,066)
IT services, data processing	(25,268)	(8,731)
Facility rental and management	(39,987)	(37,057)
Expenses for advisory services	(19,792)	(32,762)
Mail, telegraph and delivery services	(1,571)	(34)
Telephone and data transmission	(2,645)	(2,255)
Legal expenses	(8,152)	(6,491)
Property maintenance	(2,607)	(1,192)
Furnishing and plant maintenance	(1,759)	(61)
Marketing, promotion and entertainment expenses	(11,902)	(9,174)
Transport services	(6,195)	(5,692)
Lighting, heating and air conditioning	(10,234)	(9,155)
Printed material, stationery and consumables	(1,805)	(638)
Staff training expenses and reimbursements	(9,101)	(7,225)
Security services	(653)	(23)
Information and title searches	(4,446)	(3,440)
Insurance premiums	(137,628)	(123,871)
Cleaning services	(1,196)	(131)
Leasing of other property, plant and equipment	(3,765)	(2,183)
Management of archives and document handling	(50)	-
Reimbursement of costs to Group companies	(203,114)	(162,861)
Contributions Resolution Funds (SRF) and DGS	(31,201)	(23,868)
Sundry expenses	(20,011)	(6,152)
TOTAL	**(635,980)**	**(516,062)**

Section 11 – Net provisions for risks and charges - Item 170

11.1 CREDIT RISK NET ALLOWANCES FOR COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN BREAKDOWN

Credit risk net allowances for commitments and guarantees came to euro 6,286 thousand.

11.2 NET PROVISIONS FOR OTHER COMMITMENTS AND OTHER GUARANTEES ISSUED: BREAKDOWN

As at 31 December 2018, there were no provisions for other commitments and guarantees issued.

11.3 OTHER NET PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

In 2018, the "Net Provisions for risks and charges" item had a positive mismatch of euro 22,131 thousand as the result of provisioning for risks on revocatory actions and litigation totalling euro 4,699 thousand, and reversals of provisions for euro 26,831 thousand subsequent to the renegotiation of some supply and cooperation contracts with suppliers and product companies that used to work with the Fellini Banks.

Section 12 - Net adjustments to/recoveries on property, plant and equipment - Item 180

12.1 NET VALUE ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN

Assets/Income components	Amortization (a)	Impairment adjustments (b)	Recoveries/ writebacks (c)	Net profit (loss) (a + b - c)
A. Property, plant and equipment:				
A.1 Owned	(22,648)	-	-	(22,648)
- Operating assets	(22,411)	-	-	(22,411)
- Investment property	(237)	-	-	(237)
- Inventories	X	-	-	-
A.2 Acquired under finance leases	-	-	-	-
- Operating assets	-	-	-	-
- Investment property	-	-	-	-
TOTAL	**(22,648)**	**-**	**-**	**(22,648)**

Section 13 – Net adjustments to/recoveries on intangible assets – Item 190

13.1 NET ADJUSTMENTS TO INTANGIBLE ASSETS: BREAKDOWN

Assets/Income components	Amortization (a)	Impairment adjustments (b)	Recoveries/ writebacks (c)	Net profit (loss) (a + b - c)
A. Intangible assets				
A.1 Owned	(23,007)	-	-	(23,007)
- Internally generated	-	-	-	-
- Other	(23,007)	-	-	(23,007)
A.2 Acquired under finance leases	-	-	-	-
TOTAL	**(23,007)**	**-**	**-**	**(23,007)**

Section 14 - Other operating expenses and income - Item 200

14.1 OTHER OPERATING EXPENSES: BREAKDOWN

Type of expense/Values	Total 31 Dec. 2018	Total 31 Dec. 2017
Expenses for finance lease transactions	-	-
Currency/monetary adjustments	-	-
Integration and reorganization expenses	-	-
Amortization of expenditure for leasehold improvements	(7,300)	(7,081)
Other expenses	(12,170)	(12,517)
TOTAL	**(19,470)**	**(19,598)**

14.2 OTHER OPERATING INCOME: BREAKDOWN

Type of expense/Values	Total 31 Dec. 2018	Total 31 Dec. 2017
Rental income and recovered expenses on real estate	3,619	2,706
Income from finance lease contracts	-	-
Revenues from securitizations	-	-
Recovery of rental expenses	-	-
Recovery of taxes and levies	79,517	64,418
Recovery of insurance costs	135,773	121,778
Recovery of other expenses	5,269	6,681
Service recovery	14,799	14,520
Other income	17,960	26,707
TOTAL	**256,937**	**236,810**

Section 15 – Profits (losses) on equity investments - Item 220

15.1 PROFITS (LOSSES) ON EQUITY INVESTMENTS: BREAKDOWN

Income component/Values	Total 31 Dec. 2018	Total 31 Dec. 2017
A. Income	8,839	7,151
1. Revaluations	-	-
2 Profits on disposal	10	-
3 Recoveries/writebacks	-	-
4. Other income	8,829	7,151
B. Expenses	(1,429)	-
1. Impairment writedowns	-	-
2. Losses on impairment	(1,120)	-
3. Losses on disposal	(309)	-
4. Other expenses	-	-
Net profit (loss)	**7,410**	**7,151**

Section 18 - Profits (losses) on disposal of investments - Item 250

18.1 PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS: BREAKDOWN

Income component/Values	Total 31 Dec. 2018	Total 31 Dec. 2017
A. Real estate	104	273
- Profits on disposal	104	302
- Losses on disposal	-	(29)
B. Other assets	(2)	(37)
- Profits on disposal	6	-
- Losses on disposal	(8)	(37)
Net profit (loss)	**102**	**236**

Section 19 -Tax (expense)/recovery on income from continuing operations - Item 270

19.1 TAX (EXPENSE)/RECOVERY ON INCOME FROM CONTINUING OPERATIONS: BREAK-DOWN

Componenti reddituali/Valori	Total 31 Dec. 2018	Total 31 Dec. 2017
1. Current taxes (-)	(24,160)	(25,628)
2 Changes in current taxes for previous years (+/-)	871	-
3 Reduction in current taxes for the year (+)	221	689
3.bis Reduction in current taxes for the year for tax receivables pursuant to Law No. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(62,854)	(57,581)
5. Change in deferred tax liabilities (+/-)	3,762	2,211
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(82,160)	(80,309)

19.2 RECONCILIATION OF THEORETICAL TO ACTUAL TAX CHARGE

	Total 31 Dec. 2018
Net profit before taxes on continuing operations	334,284
Net profit on discontinuing operations (before taxes)	-
Theoretical taxable income	334,284

	Total 31 Dec. 2018
Income taxes - Theoretical tax liability at the 27.5% ordinary rate	(91,928)
- 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	25,336
Income tax – actual tax liability	(66,592)
- use of excess tax provisioning in previous periods	871
- 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	221
Effects of equity investments	-
Other costs	-
IRAP - Theoretical tax liability	(18,653)
- effect of income/expenses that do not contribute to the taxable base	(63,018)
- effect of other changes	65,011
- effect of change in the average tax rate	
IRAP - Actual tax liability	(16,660)
Other taxes	-
Effects of equity investments	-
Other costs	-
Actual tax liability recognised	**(82,160)**
of which: actual tax liability on continuing operations	(82,160)
Actual tax liabilities on discontinued operations	-

Section 22 - Earnings per share

22.1 AVERAGE NUMBER OF DILUTED ORDINARY SHARES

The Bank’s share capital consists of 962,672,153 ordinary shares, with a nominal value of euro 1 each.

PART D - COMPREHENSIVE INCOME

BREAKDOWN STATEMENT OF COMPREHENSIVE INCOME

Items	31 Dec. 2018
10. Net Profit (Loss) for the period	**252,124**
Other income components not reclassified to profit or loss	**(16,464)**
20. Equity securities designated at fair value through other comprehensive income	(438)
a) Changes in fair value	2,067
b) Transfers to other equity components (equity securities derecognised)	(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	(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. Tax income related to other income components whitout reversal to profit & loss	6,062
Other income components reclassified to profit or loss	**(86,659)**
110. Hedging of investments in foreign operations:	-
a) changes in fair value	-
b) reclassification to profit or loss	-
c) other changes	-
120. Exchange rate 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: fair value adjustments on net positions	-
140. Hedging instruments: (elementi non designati):	-
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	(122,963)
a) changes in fair value	(116,215)
b) reclassification to profit or loss	(12,519)
- adjustments for credit risk	579
- profit/losses on disposal	(13,098)
c) other changes	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 income components reclassified to profit or loss	36,304
190. Total other income components	**(103,123)**
200. Comprehensive income (10+190)	**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 that must be taken into account when analyzing the table.

Even though not fully comparable because of the entry into force of the IFRS 9, the table as at 31 December 2017 showing the IAS 39 Breakdown Statement of Comprehensive Income by borrower/issuer is given below and was prepared in accordance with the previous version of Bank of Italy Circular no. 262 (4th update).

BREAKDOWN STATEMENT OF COMPREHENSIVE INCOME

Items	Gross amount	“Income Tax”	Net amount
10. Profit (Loss) for the period	**X**	**X**	**211,712**
Other income components with not reclassified to profit or loss			
20 Property, plant and equipment	-	-	-
30. Intangible assets	-	-	-
40. Defined-benefit plans	65	(18)	47
50. Non-current assets held for sale	-	-	-
60. Share of valuation reserve on equity investments accounted for with the equity method:	-	-	-
Other income components reclassified to profit or loss			
70. Hedging of investments in foreign operations:	-	-	-
a) changes in fair value	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
80. Exchange rate differences:	-	-	-
A) changes in value	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
90. Cash flow hedges:	-	-	-
a) changes in fair value	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
100. Financial assets available for sale:	946	(268)	678
a) changes in fair value	5,743	(7,598)	(1,855)
b) reclassification to profit or loss	(4,797)	7,330	2,533
- impairment losses	18,500	(84)	18,416
- profit/losses on disposal	(23,297)	7,414	(15,883)
c) other changes	-	-	-
110. Non-current assets held for sale	-	-	-
a) changes in fair value	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
120. Share of valuation reserve on equity investments accounted for by equity method:	-	-	-
a) changes in fair value	-	-	-
b) reclassification to profit or loss	-	-	-
- impairment losses	-	-	-
- profit/losses on disposal	-	-	-
c) other changes	-	-	-
130. Total other income components	**1,011**	**(286)**	**725**
140 Comprehensive income (10+130)			**212,437**

PART E – INFORMATION ON RISKS AND RELATIVE HEDGING POLICIES

Section 1 - Risks of accounting

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). In order to be fully compliant with the recent EU regulatory developments, in 2018 appropriate actions were implemented on the organizational structure of the Group's Companies, also upgrading the related responsibilities.

The Credit Department has the responsibility for lending activities regarding the Performing loan portfolio and past due positions (the latter falling within the management process of early warnings). The Credit Department has the task of setting, in compliance with the corporate strategies and objectives, the lending policies directions and the guidelines on taking and managing credit risk, coordinating their implementation by the relevant structures of the Bank and of the Group.

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 models, lending instruments and lending governance rules;
- to verify, through appropriate operating control mechanisms, compliance with the lending guidelines and policies within the Group, ensuring their quality and monitoring the allocation of loans in terms of sectors and sizes.

The 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 in force at the relevant time.

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 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, which reports to the Recovery and Corporate Affairs Department, 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 in force at the relevant time.

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, and for 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 the Structure the Division directly reports to and the Top Officers with adequate reporting and regular briefs on the activities of the Division;
- 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

In 2018, the reorganization of the Credit Department started and led to the separation between the structures managing Performing Loans from those managing Non Performing Exposures (NPE).

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 2018, some actions were implemented on the organizational structure of the Group's Companies, in order to ensure even further separation between the Credit Department and the structures engaged in NPE management and to strengthen the independence of the loan-authorization activities as regards the Corporate Banking Channel.

The Credit Department of Crédit Agricole Italia comprises the Loan Authorization Division and the Loan Management and Protection Division:

- the former is responsible for the performance and credit quality of Performing loans to customers with no material non-performing signs (performing loans); the Loan Authorization Division comprises Loan Authorization Services, each one of which specializes in assessing the loan proposals for 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 real estate and agri-food sectors;
- 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 assess whether out-of-court collection is the best option.

The M/L Term Loans Division, the Credit Secretary Service and the Credit Intelligence Service also report on a solid line to the Credit Department of Crédit Agricole Italia.

In 2018, also the other Companies of the Group carried out the appropriate actions to implement the organizational model set by the Parent Company Crédit Agricole Italia, which their respective credit structures report on dotted line.

For the UTP portfolio, the UTP Management Division was set up 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 structures of Crédit Agricole FriulAdria and Crédit Agricole Carispezia report 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. Furthermore, the Lending Policies fall within the Risk Strategy, which is determined every year in agreement 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, Production Chains, Public Administration Bodies;
- 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 (accounts held by single customers or jointly held) that are customers for personal purposes, i.e. not for business purposes; these Policies are structures based on counterparty risk and on the type of loan product applied for by the customer (mortgage loans, credit lines on c/a, personal loans, consumer loans and other unsecured loans, mortgage current accounts, signature loans, international transactions, derivatives, credit cards).

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.

As regards SICR rules, please refer to Part A - Accounting Policies.

Lending processes

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:

- grading of operations into risk classes;
- 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.

The present economic scenario requires utmost 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.

To this end, 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.

Concomitantly with the aforementioned changes made to the organizational structure, the Regulation was updated also in terms of overall streamlining of lending processes (and, thus, enhancing their efficiency), thanks also to further separation of function responsibilities, while confirming the already fully established criteria for credit risk control.

The operation of the internal lending processes of the Crédit Agricole Italia Banking Group is outlines below.

The loan authorization process uses risk assessment metrics based on the internal rating systems and sets the loan authorization decision-making powers based on the Probability of Default assigned to the counterparty, which is to be updated at least once a year, as well as on the riskiness of the related technical forms, also considering whether any certain and enforceable guarantees are given. 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 2018, a specific project was started in order to develop a new procedure, with the objective of strengthening loan authorization processes, as well as of enhancing their overall effectiveness and efficiency.

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 confirm, increase or decrease the loans granted or to their revocation in compliance with the contract provisions and/or to increasing the guarantees securing the exposure. Then, 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, 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 companies.

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, whereby:

- 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 showing early warnings is also supported by a specific procedure, called “Pratica Elettronica di Gestione” (Electronic Loan Management procedure, PEG). This tool is constantly fine-tuned in accordance with the specific cases to be managed and with any developments in the applicable legislation; 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.

Furthermore, in 2018, several actions were started on the processes for managing Performing Loans and on the related tools, in order to integrate the new requirements introduced with the entry into force of the new IFRS 9, especially as regards management on the onset of any early warnings that, where not promptly removed or mitigated, could cause credit risk to materially increase vs. the recognition date and the IFRS 9 staging downgrade. The aforementioned actions are expected to be fully developed and implemented by the end of 2019.

In order to strengthen the integration of the lending processes of the Banks and of the Leasing Company of the Group, in the last quarter of 2018 some actions were also started on the processes for monitoring and managing loans showing early warnings, which are going to be further fine-tuned in 2019.

Cost of credit

Also in the present economic situation, the Crédit Agricole Italia Banking Group has enhanced its systematic control on the developments in the quality of the Loans-to-customers Portfolio; specifically, it has intensified the monitoring on loan positions and has made it even more selective, in order to ensure constant adequacy of recovery expectations in accordance with any changes affecting its counterparties.

The process for the determination, management and monitoring of the cost of credit is under the responsibility of the UTP Management Division. In 2018, following the reorganization reported above, a new management process and the related controls were set; this 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 2018 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 Small Business and Individuals Retail sub-segments, as well as on Crédit Agricole Leasing Italia; also in 2018, the Real Estate portfolio was monitored with special care.

For each segment, specific indicators have been implemented, which are fit both to assess the portfolio quality performance, to prevent risks resulting from the channel specific activities and to monitor risk diversification in loans target thresholds on the ratings distribution over the loan portfolio.

The system, as in force in 2017, was further strengthened in 2018 as regards setting thresholds and indicators for acquisition structured loans and corporate leveraged loans (CEL), and these actions are expected to be completed in 2019.

Moreover, in order to define a reference framework for Stress Test exercises on the different risk scope consistently with the guidelines issued by the Controlling Company Crédit Agricole S.A., 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 Authority and defines the set of stress test exercises to be carried out in the year.

In 2018 the Group carried out the stress testing activities listed below:

- the EBA 2018 regulatory stress testing exercise, in accordance with the approach defined by the European Banking Authority and under the supervision of the European Central Bank. The objective of the exercise was to verify the resilience of the European Banking Sector to adverse macroeconomic scenarios, based on a common analysis framework able to allow comparison between credit institutions otherwise not directly comparable, as well as a forward-looking analysis of the impacts on the main Income Statement variables. A new development in the exercise concerned the effects of the new IFRS 9 in the simulations. The exercise was coordinated by the Parent Company Crédit Agricole and required the involvement of the various cross-border entities on specific scopes. Specifically, the Crédit Agricole Italia Banking Group was asked for a contribution in determining the component regarding credit risk and net interest income;
- 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 prospective analysis of the impact on the Income Statement main items (including the cost of credit) and on risk-weighted assets.

The stress testing carried out in 2018 covered the entire consolidation scope, including the recently acquired perimeter (the “Fellini” perimeter).

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 capital requirements using point-in-time risk parameters consistently with the IFRS 9 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 supervising 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. 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.

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 interest rate (EIR) used for the initial recognition of the financial instrument.

The models and parameters used are backtested at least annually.

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.

Specifically, 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 and were prepared in accordance with the recent regulatory principles “International Valuation Standards” (IVS) and “European Valuation Standards” (EVS).

In compliance with the recent developments in the regulatory framework, during 2018 the policies and processes to measure the value of real estate property used as collateral for exposures were reviewed; they were confirmed based on very conservative criteria. The implemented actions worth specific mentioning are:

- assigning the task of making residential property appraisals to External Companies in order to better meet the Regulator’s expectations and achieving standardization of appraisal reports ensuring adequate coverage throughout the Country;
- structured monitoring on the quality of the services provided by the aforementioned External Companies, which involves the relevant corporate structures (with specific regard to commercial and internal back-office structures), also in order to design and implement any appropriate action plans;
- the change, pursuing even stronger control on guarantees, to the thresholds for statistical revaluation deviation, making them even more conservative (vs. the latest available expert appraisal), within the updating of expert appraisals; in the same scope, again in order to implement an even more prudential approach, an annual update has been set for the NPE perimeter, irrespective of the king of property, as well as even more restrictive application of drive-by appraisals;

- strengthening the controls on full compliance with the guidelines and internal policies on the measurement of real estate collaterals, as regards both single appraisals and the monitoring of overall progress in their updating;
- the transfer to Crédit Agricole Group Solutions of the internal expert appraisers, who were previously on staff at the M/L Term Loans Division within the Credit Department of Crédit Agricole Italia and at the similar structure of CA FriulAdria, in order to ensure even further separation of roles.

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 Crédit Agricole Italia and Crédit Agricole Leasing Italia, promptly implementing all actions that are deemed the most suitable and effective towards borrowers.

In addition to periodic specific measurement of the recovery value, the management process for non-performing positions aims also at:

- verifying whether the counterparty is capable of recovering financial health and, consequently, restoring the business and loan relationship; 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 group 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 POLICIESE

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:
  - o management actions on the "loan recovery machine";
  - o initiatives aimed at increasing the NPE coverage ratio;
  - o 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.

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 3,381M€ (figure as at 31 December 2017) to 2,879M€ at the end of 2018. This allowed the gross NPE ratio to decrease from 10.8% to 7.6%, 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. Moreover, it writes off uncollectible items with the subsequent recognition as losses of the remaining amount not yet adjusted, in the following cases:

a. loan uncollectibility, as proved or inferred, including the implementation of all possible affordable actions;
b. loan disposal;
c. waiver of the credit claim, subsequent to unilateral remission of the residual amount due within authorized and executed settlement;
d. without waiver of the credit claim, in order not to continue to recognise loans that, even though still being managed by the collection structures, have very low probability of ever being collected, such loans must be totally or partially written off for their uncollectibility, also without closing the related legal procedure. The portfolios subject to this kind of analysis, which are always subject of a judgemental assessment in order to ensure full control and monitoring, shall be those concomitantly featuring high vintage, so that there is essentially no recovery expectation, and high coverage ratio.

3.3 PURCHASED OR ORIGINATED CREDIT IMPAIRED ASSETS ("POCI")

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. Since the purchase date, the amount collected on these positions has come to approximately euro 4.8 million.

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 RENEGOTIATIONS 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".

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	515,812
Forborne non-performing exposures	1,105
Total PERFORMING	**516,917**
Forborne performing exposures	4,487
Forborne non-performing exposures	1,271,034
Total DEFAULTED	1,275,521
TOTAL	**1,792,438**

QUANTITATIVE DISCLOSURES

A. Credit quality

A.1 Performing and non-performing financial assets: amounts, value adjustments, changes trends, breakdown 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	452,915	908,184	28,606	852,263	45,351,221	47,593,189
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,438,308	2,438,308
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets being divested	-	-	-	-	-	-
TOTAL 31 DEC. 2018	**452,915**	**908,184**	**28,606**	**852,263**	**47,789,529**	**50,031,497**

All financial assets are classified by credit quality with the exception of equity securities and units in 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).

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross and net values)

Portfolios/quality	Non-performing				Performing			
	Gross exposure	Total value adjustment	Net exposure	Write-off parziali complessivi*	Gross exposure	Total value adjustment	Net exposure	Total (net exposure
1. Financial assets measured at amortized cost	2,878,867	1,489,162	1,389,705	8,474	46,400,374	196,890	46,203,484	47,593,189
2. Financial assets measured at fair	-	-	-	-	2,440,655	2,347	2,438,308	2,438,308
value through other comprehensive income	-	-	-	-	X	X	-	-
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-	-
5. Financial assets being divested	-	-	-	-	-	-	-	-
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

All financial assets are classified by credit quality with the exception of equity securities and units of collective investment undertakings.

The term "on…" defines all financial asset cash credit exposure that are due from bank or customer, 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).

Portfolios/credit	Asset with clearly poor credit quality		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	1,150	1,105	59,930
2. Hedging derivatives	-	-	435,675
TOTAL 31 DEC. 2018	**1,150**	**1,105**	**495,605**

A.1.3 Breakdown of financial assets by past due brackets (book values)

Portfolios/stage of risk	First stage			Second stage			Third stage		
	From over 1 day up thirty days	From over 30 days up 90 days	Over 90 days	From over 1 day up thirty days	From over 30 days up 90 days	Over 90 days	From over 1 day up thirty days	From over 30 days up 90 days	Over 90 days
1. Financial assets measured at amortized cost	417,873	24,486	244	256,186	69,567	84,716	46,668	16,233	1,049,508
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
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 A Financial assets, commitments to disburse funds and financial guarantees given: changes in total value adjustments and total provisions

	Total value adjustments												of which: purchased or originated credit impaired financial assets	Total provisions on commitments to disburse funds and financial guarantees issued			Total
	Stage 1 assets				Stage 2 assets				Stage 3 assets					First stage	Second stage	Third stage	
	Financial assets measured at amortized cost	Financial assets measured at fair value through other	of which: individual impairment	of which: collective impairment	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	of which: individual impairment	of which: collective impairment	Financial assets measured at amortized co	Financial assets measured at fair value through other comprehensive income	of which: individual impairment	of which: collective impairment					
Opening balance	**47,129**	**1,657**	**-**	**48,786**	**123,588**	**-**	**-**	**123,588**	**1,996,866**	**-**	**1,943,866**	**-**	**-**	**3,237**	**2,526**	**4,837**	**2,179,840**
Increases from acquired or originated financial assets	12,293	-	-	12,293	7,082	-	-	7,082	4,576	-	4,576	-	-	556	3,297	2,523	30,327
Modification other than write-off	123	770	-	893	-	-	-	-	726,003	-	726,003	-	-	-	-	-	726,896
Impairment (+/-)	-24,076	579	-	-23,497	-37,830	-	-	-37,830	158,886	-	158,886	-	-	1,324	-165	-11,423	84,647
Modification Gains/ Losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimate approach	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-off	342	-	-	342	10	-	-	10	126,048	-	126,048	-	-	-	-	-	126,400
Other changes	28,885	881	-	29,766	40,293	-	-	40,294	180,886	-	233,886	-	-	1,368	1,431	23,143	276,887
Closing Balance	**63,766**	**2,347**	**-**	**66,113**	**133,123**	**-**	**-**	**133,124**	**1,489,163**	**-**	**1,489,163**	**-**	**-**	**3,837**	**7,089**	**19,080**	**1,718,405**
Write-offs recognised directly through profit and loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-off rilevati direttamente a conto economico	42	-	-	42	32	-	-	32	12,992	-	12,992	-	-	-	-	-	13,066

A.1.5 Financial assets, commitments to disburse funds and financial guarantees issued: transfers between the difference credit risks stages (gross and nominal values)

	Gross values/nominal value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
1. Financial assets measured at amortized cost	589,057	514,014	273,939	44,270	140,337	38,400
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Commitments to disburse funds and financial guarantees issued	18,558	11,864	2,485	176	21,933	2,629
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 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	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	-	-	-	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	7,589,833	2,816	7,587,017	-
- of which: forborne exposures	X	-	-	-	-
TOTAL A	**-**	**7,589,833**	**2,816**	**7,587,017**	**-**
B. OFF-BALANCE-SHEET EXPOSURES					
a) non-performing	-	X	-	-	-
b) Performing	X	709,853	692	709,161	-
TOTAL B	**-**	**709,853**	**692**	**709,161**	**-**
TOTAL A+B	**-**	**8,299,686**	**3,508**	**8,296,178**	**-**

(*) 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 for credit risk	Net exposure	Total/partial write-offs (*)
	Non-performing	Performing			
A. ON-BALANCE-SHEET EXPOSURES					
a) Bad loans	1,476,741	X	1,023,826	452,915	803
- of which: forborne exposures	399,620	X	272,160	127,460	-
b) Unlikely to Pay	1,370,332	X	462,148	908,184	7,639
- of which: forborne exposures	866,252	X	269,731	596,521	-
c) Past-due impaired exposures	31,794	X	3,188	28,606	31
- of which: forborne exposures	6,268	X	467	5,801	-
d) Past-due not impaired exposures	X	884,838	32,575	852,263	-
- of which: forborne exposures	X	115,885	12,167	103,718	-
e) Other performing exposures	X	40,366,357	163,845	40,202,512	333
- of which: forborne exposures	X	399,926	27,350	372,576	-
TOTAL A	**2,878,867**	**41,251,195**	**1,685,582**	**42,444,480**	**8,806**
B. OFF-BALANCE-SHEET EXPOSURES					
a) Impaired	123,788	X	19,081	104,707	-
b) Not impaired	X	2,282,987	10,234	2,272,753	-
TOTAL B	**123,788**	**2,282,987**	**29,315**	**2,377,460**	**-**
TOTAL A+B	**3,002,655**	**43,534,182**	**1,714,897**	**44,821,940**	**8,806**

(*) 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	**2,095,652**	**1,252,411**	**32,988**
- of which: transferred but not derecognised	-	-	-
B. Increases	**347,381**	**67,065**	**60,130**
B.1 from performing exposures	18,149	340,417	40,743
B.2 from net impairment of purchased or originated financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	210,843	48,388	30
B.4 Contract modifications without derecognition	-	-	-
B.5 other increases	118,389	359,094	19,357
C. Decreases	**966,292**	**629,978**	**61,324**
C.1 to performing exposures	329	73,333	3,531
C.2 write-offs	117,490	21,054	496
C.3 collections	67,587	54,994	14,700
C.4 profits on disposals	208,930	103,664	-
C.5 losses on disposals	41,023	22,634	-
C.6 transfers to other categories of non-performing exposures	11,075	205,589	42,597
C.7 Contract modifications without derecognition	-	970	-
C.8 other decreases	519,858	147,740	
D. Closing gross exposure	**1,476,741**	**689,498**	**31,794**
- of which: sold exposures not derecognised	-	-	-

Item B.5 “Other increases” reports also the gross exposures resulting from the merger of the Fellini Banks.

Item C.8 “Other decreases” reports also the gross amount of the exposure disposed of exceeding the sum of the profit and any losses on disposal.

A.1.9 bis On-balance-sheet exposures to customers: changes in gross forborne exposures broken down by credit quality

Reasons/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening balance of overall adjustments	**1,446,108**	**655,747**
- of which: transferred but not derecognised	-	-
B. Increases	**407,083**	**442,977**
B.1 from non-forborne performing exposures	18,535	167,296
B.2 from forborne performing exposures	172,677	X
B.3 from forborne non-performing exposures	X	22,369
B.4 other increases	215,871	253,312
C. Decreases	**581,051**	**582,913**
C.1 to non-forborne performing exposures	X	294,700
C.2 to forborne performing exposures	22,369	X
C.3 to forborne non-performing exposures	X	172,677
C.4 Write-offs	45,867	123
C.5 collections	90,019	92,473
C.6 profits on disposals	133,520	-
B.2 losses on disposal	30,640	-
C.8 other decreases	258,636	22,940
D. Closing gross exposure	**1,272,140**	**515,811**
- of which: transferred but not derecognised	-	-

A.1.11 Non-performing balance-sheet exposures to customers: changes in total adjustments

Reasons/Quality	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	**1,514,585**	**352,827**	**426,381**	**305,587**	**2,900**	**730**
- of which: transferred but not derecognised	-	-	-	-	-	-
B. Increases	**284,857**	**66,713**	**379,290**	**198,060**	**6,306**	**849**
B.1 net impairment of purchased or originated financial assets	-	X	-	X	-	X
B.2 other value adjustments	96,383	22,014	154,451	91,414	1,994	259
B.3 losses on disposals	41,023	8,031	22,634	22,608	-	-
B.4 transfers from other categories of non-performing exposures	72,959	31,966	10,207	7,734	3	-
B.5 modification gains/losses	-	X	-	X	-	X
B.6 other increases	74,492	4,702	191,998	76,304	4,309	590
C. Decreases	**775,616**	**147,380**	**343,523**	**233,916**	**6,018**	**1,112**
C.1 write-backs from valuation	34,953	5,301	53,071	12,088	790	88
C.2 write-backs from collection	12,517	2,057	9,313	1,087	554	85
C.3 profits on disposal	43,000	5,192	14,436	13,724	-	-
C.4 write-offs	117,490	35,632	21,055	10,115	496	120
C.5 transfers to other categories of non-performing exposures	6,769	6,768	72,341	36,068	4,059	809
C.6 modification gains/losses	-	X	-	X	-	X
C.7 other decreases	560,887	92,430	173,307	160,834	119	10
D. Closing balance of overall adjustments	**1,023,826**	**272,160**	**462,148**	**269,731**	**3,188**	**467**
- of which: transferred but not derecognised	-	-	-	-	-	-

Item C.7 “Other decreases” mainly reports, as to derecognised items other than write-offs, the amount equal to difference between the gross exposure and the disposal price.

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees issued by external and internal rating grades

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	**568,310**	**2,186,597**	**3,461,046**	**974,978**	**119,463**	**91,544**	**41,877,303**	**49,279,241**
- Stage 1	568,310	2,169,406	3,314,502	820,827	92,588	11,139	37,323,183	**44,299,955**
- Stage 2	-	17,191	146,299	146,674	20,339	4,602	1,765,314	**2,100,419**
- Stage 3	-	-	245	7,477	6,536	75,803	2,788,806	**2,878,867**
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**2,440,655**	**2,440,655**
- Stage 1	-	-	-	-	-	-	2,440,655	**2,440,655**
- Stage 2	-	-	-	-	-	-	-	**-**
- Stage 3	-	-	-	-	-	-	-	**-**
TOTAL (A+B)	**568,310**	**2,186,597**	**3,461,046**	**974,978**	**119,463**	**91,544**	**44,317,958**	**51,719,896**
of which: POCI	-	-	-	-	-	-	-	**-**
C. Commitments to disburse funds and financial guarantees issued	**92,209**	**572,252**	**650,972**	**149,589**	**223,827**	**27,170**	**1,034,487**	**2,750,506**
- Stage 1	92,209	565,588	635,043	127,247	210,686	945	866,698	**2,498,416**
- Stage 2	-	6,664	15,929	21,849	13,005	2,874	67,982	**128,303**
- Stage 3	-	-	-	493	136	23,351	99,807	**123,787**
TOTAL C	**92,209**	**572,252**	**650,972**	**149,589**	**223,827**	**27,170**	**1,034,487**	**2,750,506**
TOTAL (A+B+C)	**660,519**	**2,758,849**	**4,112,018**	**1,124,567**	**343,290**	**118,714**	**45,352,445**	**54,470,402**

The breakdown by rating grade given above refers to measurements made by Cerved Group S.p.A and DBRS (which are ECAI – External Credit Assessment Institutions – recognised by the Bank of Italy). The "without rating" column reports exposures with counterparties for which ratings given by the two ECAIs are not available, of which the 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	**6,576,822**	**11,107,173**	**6,820,653**	**3,627,811**	**21,146,783**	**49,279,242**
- Stage 1	6,554,270	11,052,064	5,914,612	171,913	20,607,097	**44,299,956**
- Stage 2	22,551	55,079	894,282	776,715	351,792	**2,100,419**
- Stage 3	1	30	11,759	2,679,183	187,894	**2,878,867**
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**2,440,655**	**2,440,655**
- Stage 1	-	-	-	-	2,440,655	**2,440,655**
- Stage 2	-	-	-	-	-	**-**
- Stage 3	-	-	-	-	-	**-**
TOTAL (A+B)	**6,576,822**	**11,878,593**	**6,820,653**	**3,627,811**	**23,587,438**	**51,719,897**
of which: POCI	-	-	-	-	-	**-**
C. Commitments to disburse funds and financial guarantees issued	**369,264**	**771,420**	**523,707**	**154,707**	**931,405**	**2,750,503**
- Stage 1	369,256	760,165	488,870	7,357	872,767	**2,498,415**
- Stage 2	8	11,255	34,283	27,150	55,605	**128,301**
- Stage 3	-	-	554	120,200	3,033	**123,787**
TOTAL (C)	**369,264**	**771,420**	**523,707**	**154,707**	**931,405**	**2,750,503**
TOTAL (A+B+C)	**6,946,086**	**11,878,593**	**7,344,360**	**3,782,518**	**24,518,843**	**54,470,400**

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, 63% of total counterparties fall within the Investment grades (from AAA to BBB-), whereas 24% falls within the BB+/BB grades and 13% 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, most of these exposures are to Banks and Financial Institutions (63%) and Sovereign States (26%); the remaining 5% consists of Mixed Jointly-held positions, a specific Corporate cluster that cannot be managed with the Anadefi internal model and of other types of counterparties less significant in terms of exposure.

A.3 Breakdown of secured exposures by type of guarantee

A.3.1 Balance-sheet and off-balance-sheet exposures to banks

			Collaterals (1)				Personal guarantees (2)										Total (1)+(2)
							Credit deruvatuves						Signature				
								Other derivatives									
	Gross exposure	Net exposure	Real estate - mortgages	Real estate - Financeleases	Securities	Other collaterals	CLN	Central counterparties	Banks	Other financial companies	Other parties	Public administration	Banks	Other financialcompanies	Other parties	
1. Secured onbalance-sheet exposures:	986,806	986,355	-	-	634,740	-	-	-	-	-	-	-	350,000	1,447	-	986,187
1.1 fully secured	636,197	636,187	-	-	634,740	-	-	-	-	-	-	-	-	1,447	-	636,187
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	350,609	350,168	-	-	-	-	-	-	-	-	-	-	350,000	-	-	350,000
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Off-balance-sheet secured exposures:	25,073	25,048	-	-	-	140	-	-	-	-	-	393	14,103	-	-	14,636
2.1 fully secured	4,243	4,221	-	-	-	140	-	-	-	-	-	393	3,688	-	-	4,221
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	20,830	20,827	-	-	-	-	-	-	-	-	-	-	10,415	-	-	10,415
- 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 deruvatuves						Signature				
								Other derivatives									
	Gross exposure	Net exposure	Real estate - mortgages	Real estate - Financeleases	Securities	Other collaterals	CLN	Central counterparties	Banks	Other financial companies	Other parties	Public administration	Banks	Other financialcompanies	Other parties	
1. On-balance sheet secured exposures:	28,508,114	27,352,731	17,671,667	-	135,388	934,895	-	-	-	-	-	361,644	4,680,547	327,281	2,222,082	26,333,504
1.1 fully secured	26,258,475	25,221,179	17,545,002	-	103,734	768,141	-	-	-	-	-	299,434	3,574,526	256,863	2,049,436	24,597,136
- of which non performing	2,044,807	1,147,145	815,718	-	2,086	12,569	-	-	-	-	-	37,189	-	42,492	166,928	1,076,982
1.2 partially secured	2,249,639	2,131,552	126,665	-	31,654	166,754	-	-	-	-	-	62,210	1,106,021	70,418	172,646	1,736,368
- of which non performing	191,605	81,139	24,803	-	446	2,891	-	-	-	-	-	1,269	-	7,098	20,875	57,382
2. Off-balancesheet secured exposures:	706,801	581,734	205,080	-	24,474	133,860	-	-	-	-	-	14,061	9,566	34,536	229,242	650,819
2.1 fully secured	554,850	446,335	194,860	-	15,389	95,264	-	-	-	-	-	5,384	1,431	18,325	220,112	550,765
- of which non performing	54,785	7,143	45,631	-	298	1,070	-	-	-	-	-	23	376	746	4,569	52,713
2.2 partially secured	151,951	135,399	10,220	-	9,085	38,596	-	-	-	-	-	8,677	8,135	16,211	9,130	100,054
- of which non performing	13,330	8,966	5,034	-	1,495	133	-	-	-	-	-	102	2,800	1	904	10,469

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		Financial companies		Financial companies (of which: insurance undertakings)		Non-financial companies		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										
A.1 Bad loans	-	-	1,915	6,636	2	17	291,864	772,036	159,134	245,137
of which: forborne exposures	-	-	129	1,753	-	-	120,603	261,975	6,728	8,432
A.2 Unlikely to Pay	3	1	7,856	8,444	-	-	742,272	385,572	158,053	68,131
- of which: forborne exposures	-	-	5,612	4,515	-	-	500,372	236,482	90,537	28,734
A.3 Non-performing past-due exposures	-	-	24	6	-	-	11,503	1,330	17,079	1,852
- of which: forborne exposures	-	-	-	-	-	-	3,161	242	2,640	225
A.4 Performing exposures	6,332,852	6,858	7,240,396	12,905	233,556	148	10,558,130	111,951	16,696,369	64,558
- of which: forborne exposures	2,811	55	2,370	675	-	-	299,771	31,210	171,342	7,577
TOTAL A	**6,332,855**	**6,859**	**7,250,191**	**27,991**	**233,558**	**165**	**11,603,769**	**1,270,889**	**17,030,635**	**379,678**
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	200	-	354	76	-	-	102,701	18,744	1,452	261
B.2 Performing exposures	6,616	7	193,992	721	34,974	166	1,875,999	6,554	161,172	2,786
TOTAL B	**6,816**	**7**	**194,346**	**797**	**34,974**	**166**	**1,978,700**	**25,298**	**162,624**	**3,047**
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 customers by geographic area

Exposures/ Geographical areas	North-western Italy		North-eastern Italy		Central Italy		Southern Italy and Islands	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance-sheet exposures								
A.1 Bad loans	155,056	405,438	190,520	376,495	69,594	148,694	37,302	93,051
A.2 Unlikely to Pay	257,048	120,584	404,409	221,980	199,209	99,453	45,292	19,188
A.3 Non-performing past-due exposures	7,084	725	9,914	1,134	7,886	931	3,697	393
A.4 Performing exposures	18,380,528	66,988	8,658,791	65,182	11,682,323	46,184	1,960,541	12,771
TOTAL A	**18,799,716**	**593,735**	**9,263,634**	**664,791**	**11,959,012**	**295,262**	**2,046,832**	**125,403**
B. Off-balance-sheet exposures								
B.1 Non-performing exposures	14,435	1,418	71,028	16,487	13,491	997	5,753	134
B.2 Performing exposures	908,927	3,947	833,930	3,955	462,160	1,896	60,928	420
TOTAL B	**923,362**	**5,365**	**904,958**	**20,442**	**475,651**	**2,893**	**66,681**	**554**
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	6,919,377	2,377	646,148	421	-	-	5,177	4	16,315	14
TOTAL A	**6,919,377**	**2,377**	**646,148**	**421**	**-**	**-**	**5,177**	**4**	**16,315**	**14**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	256,527	564	405,670	52	326	-	20,927	63	25,711	13
TOTAL B	**256,527**	**564**	**405,670**	**52**	**326**	**-**	**20,927**	**63**	**25,711**	**13**
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 RISKS

As at 31 December 2018, positions showing large risk features, as defined in Circular No. 258/2013 (as updated) were:

a. Of a total nominal amount of euro 25,947,021 thousand;
b. Of a total weighted amount of euro 1,126,797 thousand;
c. A total number of 5.

E. TRANSFERS

E.4 Covered bond programme

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 Program, 60% of which is held by Crédit Agricole Italia), which acts 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 Italia with a wider range of liquidity management instruments. This decision was made considering that the Covered Bond market allows the Banks of the Group to have access to funding instruments with higher maturity than the securities placed with their Retail customers, to diversify their investor base and to stabilize the cost of funding. In order to be implemented, this 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 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 derecognise 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 program for the issue of covered bonds for a maximum amount of euro 8 billion.

The Italian legislation framework on covered bonds consists of Article 7-bis of Law No. 130 of 30 April 1999 (as amended and supplemented, hereinafter referred to as "Law 130"), of the Decree issued by the Italian Minister of the Economy and Finance No. 310 of 14 December 2006 (the "MEF Decree") and by the Provisions for Prudential Supervision of Banks set down in the Bank of Italy's Circular No. 285 of 17 December 2013, as supplemented and amended (the "Instructions" and, jointly with Law 130 and with the MEF Decree, the "Legislation").

The issue of Covered Bonds has allowed the Crédit Agricole Italia Banking Group to further diversify its stock of eligible assets with the European Central Bank, to have access to funding 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, Crédit Agricole FriulAdria and Crédit Agricole Carispezia[1]) transfer a "Pool" of mortgage loans to Crédit Agricole Italia OBG. The assets transferred to the Special-Purpose Entity are separated from the SPE's assets and are to be used to the benefit of the holders of the covered bonds issued and of other parties in favour of whom the guarantee has been given. The Banks grant a subordinated loan to Crédit Agricole Italia OBG, to be used to pay the purchase price of the assets by the same Special-Purpose Entity.

Crédit Agricole 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 transaction is secured by unconditional and irrevocable collateral issued by Crédit Agricole Italia OBG exclusively to the benefit of the Covered Bond subscribers and of unrelated counterparties.

In January 2018, the Parent Company completed another issue of Covered Bonds on the market. The issue was well received by institutional investors and the covered bonds were successfully placed for euro 500 million, thus marking further progress in stabilizing funding at reasonable costs.

1. For the time being, the residential mortgage loans resulting from the acquisition of CR Cesena, CR Rimini and CR SanMiniato have been excluded from the program

The disposal pool

The loan pool that, each time, is transferred to the Special-purpose entity must have some common features.

In May 2013, June 2015, February 2016, February 2017, November 2017 and March 2018 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 home mortgage loans (i) having a risk-weighting factor not higher than 35% and (ii) for which the residual principal amount plus the residual principal of any previous mortgage loans with mortgage on the same property is not higher than 80% of the value of the mortgaged property; or
  - which are mortgage loans disbursed or purchased by the Crédit Agricole Italia Banking Group;
  - which are performing with no instalments past due for over 30 days from the due date;
  - which do not include clauses restricting the right of the Banks of the Crédit Agricole Italia Banking Group to sell its credit claims resulting from the relevant loan contract or providing for the borrower's consent to the transfer and for the Banks of the Crédit Agricole Italia Banking Group to have obtained such consent;
  - for which any pre-amortization time provided for by the contract has fully expired and at least one instalment has matured and has been paid;
  - which have been granted to a natural person, a legal person or to more than one natural or legal person, who have jointly taken out the loan;
  - which provide for the borrower to pay floating-rate interest (determined each time by the Banks of the Crédit Agricole Italia Banking Group) or fixed-rate interest.

Upon the first disposal, made by signing, on 20 May 2013, a specific loan sale master agreement, the Banks in the Crédit Agricole Italia Banking Group transferred an initial pool to Crédit Agricole OBG S.r.l. for a total principal amount of approximately euro 3.2 billion (the “Initial Pool”, of which euro 1.9 billion transferred by Crédit Agricole Italia, euro 1.0 billion by Crédit Agricole FriulAdria and euro 0.3 billion by Crédit Agricole Carispezia).

Upon the second disposal, made on 20 June 2015, the Banks of the Crédit Agricole Italia Banking Group transferred a second pool to Crédit Agricole OBG S.r.l. for a total principal amount of approximately euro 2.3 billion (the “Second Pool”, of which euro 1.5 billion transferred by Crédit Agricole Italia, euro 0.4 billion by Crédit Agricole FriulAdria and euro 0.4 billion by Crédit Agricole Carispezia).

Upon the third disposal, made on 23 February 2016, the Banks of the Crédit Agricole Italia Banking Group transferred a third pool to Crédit Agricole Italia OBG S.r.l. for a total principal amount of approximately euro 1.0 billion (the “Third Pool”, of which euro 0.7 billion transferred by Crédit Agricole Italia, euro 0.1 billion transferred by Crédit Agricole FriulAdria and euro 0.2 billion by Crédit Agricole Carispezia).

Upon the fourth disposal, made on 20 February 2017, the Banks in the Crédit Agricole Italia Banking Group transferred a fourth pool to Crédit Agricole OBG S.r.l. for a total principal amount of approximately euro 2 billion (the “Fourth Pool”, of which euro 1.4 billion transferred by Crédit Agricole Italia, euro 1.4 billion by Crédit Agricole FriulAdria and euro 0.4 billion by Crédit Agricole Carispezia).

Upon the fifth disposal, made on 27 November 2017, the Banks of the Crédit Agricole Italia Banking Group transferred a fifth pool to Crédit Agricole OBG S.r.l. for a total principal amount of approximately euro 1.3 billion (the “Fifth Pool”, of which euro 0.9 billion transferred by Crédit Agricole Italia, euro 0.3 billion by Crédit Agricole FriulAdria and euro 0.1 billion by Crédit Agricole Carispezia).

Upon the sixth disposal, made on 19 March 2018, the Banks of the Crédit Agricole Italia Banking Group transferred a sixth pool to Crédit Agricole Italia OBG S.r.l. for a total principal amount of approximately euro 1.4 billion (the “Sixth Pool”, of which euro 1.1 billion transferred by Crédit Agricole Italia, euro 0.2 billion transferred by Crédit Agricole FriulAdria and euro 0.1 billion by Crédit Agricole Carispezia).

As at 31 December 2018, the Cover Pool consisted of receivables, i.e. credit claims, resulting from 90,765 mortgage loans, with a total residual debt, net of any repayments, of approximately euro 7.8 billion (euro 5.4 billion transferred by Crédit Agricole Italia, euro 1.6 billion by Crédit Agricole FriulAdria and euro 0.8 billion by Crédit Agricole Carispezia).

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, Crédit Agricole Carispezia, 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 receivables in the Initial Pool and in the pools that the Transferor Banks will transfer to Crédit Agricole Italia OBG pursuant to the Transfer Master Agreement);
- sub-Servicers and Services Provider: each Transferor Bank (which, in this capacity, shall undertake to carry out, as sub-servicer, the same services that Crédit Agricole 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, shall have the main task to determine and process the payments due, for principal and interest, to the holders of the Covered Bonds);
- calculation Agent: Crédit Agricole Corporate & Investment Bank, Milan Branch (“CACIB”) (which, in this capacity, pursuant to the Cash Management and Agency Agreement, shall have the main task to prepare and sent – to all parties to the agreement – the so-called Payments Report, setting forth the available funds owned by Crédit Agricole Italia OBG and the payments to be made, based on the payment priority order as set by the parties in the transaction, pursuant to the Intercreditor Agreement, from the available funds);
- account Bank: Crédit Agricole Italia (with which, in this capacity, pursuant to the cash Management and Agency Agreement, the Italian current accounts shall be opened and kept in the name of Crédit Agricole Italia OBG S.r.l.; on these accounts the liquidity shall be deposited to be used for the payments as per the Programme schedule);
- asset Monitor: BDO Italia (which, in this capacity, pursuant to the Asset Monitor Agreement, shall carry out the calculations and verifications on the Mandatory Tests and on the Amortisation Test to be performed pursuant to the Cover Pool Administration Agreement, verifying the accurateness of the calculations made by the Calculation Agent pursuant to the Cover Pool Administration Agreement. With separate assignment, the Asset Monitor, tasked by Crédit Agricole 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 that capacity have signed the
- quotaholders agreement for the exercise of shareholding rights related to the share that each one of them holds 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 Italia 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, 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, 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, Unicredit Bank AG.

Moreover, in December 2017, Crédit Agricole Italia made a new issue of Covered Bonds on the market amounting to euro 0.75 billion; these bonds were placed with institutional investors with the support of Dealers such as Crédit Agricole Corporate & Investment Bank, BBVA, Mediobanca.

In January 2018, the 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, Banca Imi.

Therefore, as at 31 December 2018, the nominal value of the bonds issued came to euro 7.45 billion, of which euro 1.2 billion worth of retained bonds and euro 6.25 billion worth of bonds publicly traded. Crédit Agricole Italia will be able to issue, within the Programme, Covered Bonds for a total amount not exceeding euro 8 billion.

Section 2 - Market risks

2.1 INTEREST RATE RISK AND PRICE RISK – SUPERVISORY TRADING BOOK

QUALITATIVE DISCLOSURES

A. General aspects

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

Trading is essentially instrumental, since the Group entities take only residual financial risk positions on behalf of customers and based on the principle of intermediation.

The trading book of the entities of the Crédit Agricole Italia Banking Group consists of over-the-counter derivatives (matched trading) and bonds (to a residual extent). In its capacity as the Parent Company, Crédit Agricole Italia coordinates the interest rate risk and price risk profiles of the Group's trading book, centrally managing financial operations, as well as risk assessment and control activities.

The control of market risk implemented on the trading book ensures that a risk level consistent with the Group's objectives is continuously maintained.

Given the exposure immateriality, Pillar One capital absorption is calculated in accordance with the standardized approach.

B. Management and measurement of interest rate and price risks Organisational aspects

The process for the management of market risks is regulated by the relevant risk policy. This document lays down the internal regulatory system for the management of market risk with reference to operations in financial instruments, foreign currencies and commodities, in terms of:

- the principles, objectives, approaches and tools used for the measurement, control and management of market risks;
- guidelines and rules which the market risk management processes are based on.

The Market Risk Policy is one of the components of the overall risk governance model implemented by the Group, consistently with Crédit Agricole S.A. guidelines.

WWithin the market risk management process, primary responsibility is assigned to corporate bodies/departments, according to their respective scopes, and they must be completely aware of the Bank's level of exposure. Specifically:

- the Board of Directors is tasked with strategic oversight and is therefore responsible for defining market risk governance policies and management processes;
- the Deputy General Manager in charge of Corporate Banking, delegating the relevant powers to the Corporate Banking Department, is the officer responsible for market risk management, and, therefore, sets down and steers the Group's mechanism for the management of Market Risk;
- the Capital Management and Middle Office Service is responsible for ex-post controls, within the Volcker Rule and LBF scope, of perfect back–to-back of the transactions entered by the Capital Market Division on behalf of customers. In case of any anomalies, it shall report it to the concerned Service and to the RAF and Financial Risk Service;

- the Risk Management and Permanent Controls Department is responsible for control. It verifies the corporate risk management process and supervises compliance of the market risk treatment with the applicable legislation in force and with the Group risk strategy.

The model for market risk management and governance was applied to the entire consolidation scope and, in the reporting year, the guidelines issued by the Parent Company were applied also to Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A., which were acquired at the end of 2017 and then merged in 2018.

The limit structure

The limit structure reflects the level of risk deemed acceptable with reference to the individual business areas and is a mechanism designed to control that operational practices, at the various organisational levels, are performed in compliance with management guidelines and strategies, as defined by the Top Management.

The framework system for market risk regarding the trading book of the Crédit Agricole Italia Banking Group is reviewed on a yearly basis, consistently with the guidelines and the risk appetite set by the Crédit Agricole Group. Such risk appetite is structured through global limits and operational limits that are set by the Risk Strategy.

The system of global limits must be able to ensure a controlled development of the business. The limits are set so as to contain losses within a level deemed acceptable Crédit Agricole Group as a whole. The limits being monitored for market risk have been set using common metrics, such as notional value, Mark-to-Market (MtM) value and Value at Risk (VaR). Global limits (based on the MtM) are validated by the Group Risk Committee (CRG) of the Crédit Agricole S.A. Group and approved by the Boards of Directors of the single entities of the Crédit Agricole Italia Banking Group. Operational limits are set based on the nominal value and, therefore are, consistently with global limits, adaptations of such global limits by type of asset, product, portfolio, and risk factors.

Operational limits are specifically adjusted for each Bank of the Group and are validated by the respective Board of Directors.

Control System

The monitoring of global and operational limits is a task assigned to the Risk Management and Permanent Controls Department. Reporting on compliance with the set limits is included in the monthly Risk Report, which is fed by automated daily reporting through an internal procedure. It is sent to the Group's Top Management (CFO), to the Departments engaged in market risk management (Corporate Banking Department), to the Internal Audit Department and to Crédit Agricole S.A. (Direction Risques Groupe).

A summary of this report is the basis for quarterly reporting on 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, as soon as possible, to the Top Management and to the Direction Risques Groupe of Crédit Agricole S.A.

The Risk Management and Permanent Controls Department issues opinions on the approaches used in the models for the pricing of derivatives hedging interest rate, exchange rate and commodity risks, which are sold to customers in accordance with their needs (non-speculative purpose). These instruments, which are not traded on regulated markets (OTC), are measured with specific models that are commonly used in financial practices and are fed with input parameters (such as interest rate, exchange rate and volatility curves) observed on the market and subject to monitoring processes. The Risk Management and Permanent Controls Department is the owner of the Independent Price Verification process, in compliance with Regulation (EU) No. 575/2013.

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. It has the task of assessing compliance of the activities carried out with the Volcker Rule, interacting with the persons in charge of the Volcker Rule at a central level within Crédit Agricole SA.

Fair Value Option

In 2018, the fair value option was not exercised for any position.

QUANTITATIVE DISCLOSURES

1. Supervisory Trading Book: breakdown by residual maturity (repricing date) of on-balance-sheet financial assets and liabilities and financial derivatives

Type/Residual maturity (euro)	On demand	Up to 3 months	From more than 3 months to 6 months	From more than 6 months to 1 year	From over 1 year to 5 years	From more than 5 year to 10 years	Over 10 years	Unspecified maturity
1. On-balance-sheet assets	**-**	**-**	**-**	**-**	**-**	**28**	**3**	**-**
1.1 Debt securities	-	-	-	-	-	28	3	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	28	3	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial Derivatives	**248,910**	**3,281,227**	**1,558,065**	**730,318**	**2,690,733**	**473,462**	**58,456**	**1**
3.1 With underlying security	-	1,766	-	-	-	-	-	1
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	1,766	-	-	-	-	-	1
+ long positions	-	422	-	-	-	-	-	1
+ short positions	-	1,344	-	-	-	-	-	-
3.2 Without underlying security	248,910	3,279,461	1,558,065	730,318	2,690,733	473,462	58,456	-
- Options	28	4,266	8,778	13,676	67,415	32,344	6,224	-
+ long positions	16	2,133	4,389	6,838	33,707	16,171	3,112	-
+ short positions	12	2,133	4,389	6,838	33,708	16,173	3,112	-
- Other derivatives	248,882	3,275,195	1,549,287	716,642	2,623,318	441,118	52,232	-
+ long positions	124,441	1,637,831	777,399	355,066	1,311,872	220,559	26,116	-
+ short positions	124,441	1,637,364	771,888	361,576	1,311,446	220,559	26,116	-

Type/Residual maturity (other currencies)	On demand	Up to 3 months	From more than 3 months to 6 months	From more than 6 months to 1 year	From over 1 year to 5 years	From more than 5 year to 10 years	Over 10 years	Unspecified 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	**-**	**189,932**	**87,266**	**63,380**	**6,986**	**-**	**-**	**8**
3.1 With underlying security	-	420	-	-	-	-	-	8
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	420	-	-	-	-	-	8
+ long positions	-	412	-	-	-	-	-	-
+ short positions	-	8	-	-	-	-	-	8
3.2 Without underlying security	-	189,512	87,266	63,380	6,986	-	-	-
- Options	-	238	186	328	-	-	-	-
+ long positions	-	119	93	164	-	-	-	-
+ short positions	-	119	93	164	-	-	-	-
- Other derivatives	-	189,274	87,080	63,052	6,986	-	-	-
+ long positions	-	94,694	43,540	31,526	3,493	-	-	-
+ short positions	-	94,580	43,540	31,526	3,493	-	-	-

2. Supervisory Trading Book: breakdown of exposures in equity securities and equity indices by the main Country of the listing market

Type of transactions/Stock Market Index	Listed						Unlisted
	COUNTRY 1	COUNTRY 2	COUNTRY 3	COUNTRY 4	COUNTRY 5	REST OF THE WORLD	
A. Equity securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
B. trading of equity securities not yet settled	**-**	**-**	**-**	**-**	**-**	**-**	**88**
- long positions	-	-	-	-	-	-	88
- short positions	-	-	-	-	-	-	-
C. Other derivatives on equity securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
D. Equity Index Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-

2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK QUALITATIVE

DISCLOSURE

A. General aspects, management and measurement of interest rate risk and price risk

General aspects

Asset Liability Management activities refer to all exposures on the Banking Book; therefore, this perimeter does not include exposures on the Trading Book. Fluctuations in interest rates that would impact on the profits of the Crédit Agricole Italia Banking Group, through changes in net interest income, and that would also have an effect on the value of its capital, since they would cause a change in the net present value of future cash flows, are mitigated with hedges that are calibrated also through specific modeling of financial statement items.

Organisational aspects

The process for the management of interest rate risk and price risk regarding the Banking Book of the Entities belonging to the Crédit Agricole Italia Banking Group is regulated within the relevant risk policies.

In its capacity as the Parent Company, Crédit Agricole 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 Management Committee with the task of examining the outcomes of controls on compliance with the RAF and Risk Strategy limits and alert thresholds, as well as any alert procedures that started.

The CFO is responsible for the management and measurement of interest rate risk for the Group as a whole. Through the Finance Department, the CFO sets the methods for managing interest risk in compliance with the applicable regulations and with the methodological indications provided by the Crédit Agricole S.A. Group. The CFO designs operational actions, carries out stress testing exercises based on the guidelines issued by the Crédit Agricole Group and prepares the ICAAP report to be sent to the Controlling Company Crédit Agricole S.A. and to the Regulator.

The Risk Management and Permanent Controls Department is responsible for control. Therefore, it verifies the corporate risk management process and supervises compliance of the risk treatment with the applicable legislation in force and with the Group risk strategy. Moreover, on a monthly basis, the Risk Management and Permanent Controls Department carries out the reperforming of the risk indicators set down by Crédit Agricole S.A. within the implemented Risk Strategy.

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 legal 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 set down the internal regulatory system for the management of risks with reference to operations in financial instruments, in terms of:

- principles, objectives, methodologies and tools used for the measurement, control and management of risks;
- guidelines and rules on which the risk management and stress testing processes are based.

The management of interest rate risk, as designed by the Group, aims at ensuring that the single legal entities and the Group as a whole achieve the maximum possible income from the existing positions through proactive management of interest risk hedges. The main financial instruments for the management of interest risk hedges are interest rate derivatives.

The model for interest rate risk management and governance was applied to the entire consolidation scope and, in the reporting year, the guidelines issued by the Parent Company were applied also to Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A., which were acquired at the end of 2017 and then merged in 2018.

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 the scope of its tasks, the Risk Management and Permanent Controls Department:

- independently verifies compliance with the limits and alter thresholds provided for by the RAF and by the Risk Strategy; it also expresses its prior opinion in case of any changes to the approaches and methods used by the Finance Department, while reporting on them to the ALM Committee and to the Risk and Internal Control Committee;
- submits the outcomes of its verifications to the Controlling Company on a monthly basis and, in case of breach of any one of the limits set down in the Risk Strategy, it triggers the Alert Procedure and analyzes and approved the Action Plan proposed by the corporate structures concerned.

Reports to the Boards of Directors of the single Banks of the Group and to the Risk and Internal Control Committee on any breached limits, problems arisen and compliance with the limits set in the Risk Strategy.

The Risk Management and Permanent Controls Department is responsible for control of compliance with the set limits (global, operational and alert thresholds); therefore, it prepares and sends to the corporate Bodies its Financial Risk Report, covering the control outcomes, any breaches of limits and activates, where required, the appropriate alert procedures. On a quarterly basis, it submits a summary of the above Report to the Risk 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 any and all items that, although not featuring such profile, in terms of asset stability and responsiveness to changes in market interest rates, are among the items that are sensitive to interest rate risk for the Banks of the Group. Specifically, for interest rate risk analysis, the following elements are identified:

- term loans (fixed and variable rate for the portion with an already established rate);
- balance-sheet items modelled in accordance with the Controlling Company's guidelines through an internal statistical analysis aimed at identifying the stable part by volume over time and, within its scope, if so provided for by the model, the component linked to the market performance and the one insensitive to changes in rates.
- balance-sheet items modelled in accordance with specific management rules set by the relevant corpo-

rate structures.

The balance-sheet items described above contribute to the determination of the “cumulative gap”.

Consistently with the guidelines issued by the Crédit Agricole Group, the limit system consists of global limits, operational limits and alert thresholds (that are then adapted to each single entity of the Group). As regards global limits on interest rate risk, the Risk Strategy has confirmed:

- global limit in terms of Net Present Value (NPV);
- gap global limits subdivided into different time ranges.

Furthermore, an alert threshold has been set on the “Gamma Effect” component, which represents the volatility of the possible exercise of a Cap/Floor option on specific loan products.

Risk indicators regarding the variable rate part, not present in the previous year, were added, such as:

- a global limit in Van Index terms;
- a Gap Index operational limit broken down by indexation and time range.

As regards price risk for the Investment Portfolio/Banking Book, global limits have been set, based on the type of instruments that can be held (Government securities), which are expressed with reference to the maximum nominal value, and further global limits and alert thresholds have been identified for the Investment Portfolio/Banking Book stress testing.

Since 1 January 2018, the IFRS9 has replaced IAS 39. On that date, the apps used by the Risk Management and Permanent Controls Department to monitor exposure to risk had already been made fully compliant with the new standard.

The IFRS 9 provides for financial assets to be classified based on the characteristics of their contractual cash flows and on the Business Model determined by the Top Management.

Operational limits have the same structure and are then adapted to each single Bank. These limits are approved by the Boards of Directors of the single Banks.

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 year to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**12,009,792**	**18,620,553**	**1,772,591**	**1,771,789**	**6,734,984**	**4,451,584**	**4,197,379**	**150,771**
1.1 Debt securities	-	-	-	268,627	3,716,902	2,132,436	79	150,771
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	268,627	3,716,902	2,132,436	79	150,771
1.2 Loans to banks	483,486	3,966,037	323,920	483,558	645,802	791,761	766,621	-
1.3 Loans to customers	11,526,306	14,654,516	1,448,671	1,019,604	2,372,280	1,527,387	3,430,679	-
- c/a	1,245,156	269,438	38,418	85,552	127,090	4,853	742,037	-
- other loans	10,281,150	14,385,078	1,410,253	934,052	2,245,190	1,522,534	2,688,642	-
- with early repayment option	5,696	292,415	111,468	20,202	35,612	2,969	663	-
- other	10,275,454	14,092,663	1,298,785	913,850	2,209,578	1,519,565	2,687,979	-
2. On-balance-sheet liabilities	**28,969,663**	**1,834,867**	**407,716**	**219,327**	**7,267,816**	**3,079,828**	**5,103,753**	**-**
2.1 Loans to customers	28,397,647	157,205	1,177	1,197	764	-	2,343,619	-
- c/a	26,490,546	151,235	-	-	70	-	2,343,619	-
- other due and payables	1,907,101	5,970	1,177	1,197	694	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	1,907,101	5,970	1,177	1,197	694	-	-	-
2.2 Due to banks	569,847	1,172,655	249,592	-	4,385,049	792,127	765,748	-
- c/a	306,051	-	-	-	-	-	-	-
- other due and payables	263,796	1,172,655	249,592	-	4,385,049	792,127	765,748	-
2.3 Debt securities	2,169	505,007	156,947	218,130	2,882,003	2,287,701	1,994,386	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	2,169	505,007	156,947	218,130	2,882,003	2,287,701	1,994,386	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Financial Derivatives	**153**	**24,146**	**106**	**270,206**	**176,923**	**660,230**	**672,148**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	153	24,146	106	270,206	176,923	660,230	672,148	-
- Options	153	24,146	106	270,206	176,923	660,230	672,148	-
+ long positions	19	3,647	53	135,103	91,264	332,337	339,533	-
+ short positions	134	20,499	53	135,103	85,659	327,893	332,615	-
- Other derivatives	150,000	21,358,138	781,432	1,812,232	9,503,788	6,661,054	2,000,334	-
+ long positions	-	3,797,288	781,400	1,582,200	8,042,600	4,930,000	2,000,000	-
+ short positions	150,000	17,560,850	32	230,032	1,461,188	1,731,054	334	-
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 year to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**39,351**	**185,576**	**9,566**	**16,390**	**10,913**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	26,607	91,856	-	6,371	997	-	-	-
1.3 Loans to customers	12,744	93,720	9,566	10,019	9,916	-	-	-
- c/a	12,115	-	1	2	-	-	-	-
- other loans	629	93,720	9,565	10,017	9,916	-	-	-
- with early repayment option	43	19,768	2,034	1,125	168	-	-	-
- other	586	73,952	7,531	8,892	9,748	-	-	-
2. On-balance-sheet liabilities	**211,346**	**46,868**	**3,564**	**4,349**	**1,153**	**-**	**-**	**-**
2.1 Loans to customers	207,380	4,741	-	1,383	-	-	-	-
- c/a	207,195	4,741	-	1,383	-	-	-	-
- other due and payables	185	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	185	-	-	-	-	-	-	-
2.2 Loans to banks	3,966	42,127	3,564	2,966	1,153	-	-	-
- c/a	3,606	-	-	-	-	-	-	-
- other due and payables	360	42,127	3,564	2,966	1,153	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial Derivatives	**5,650**	**16,023**	**3,927**	**175**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	5,650	16,023	3,927	175	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions	**5,650**	**16,023**	**3,927**	**175**	**-**	**-**	**-**	**-**
+ long positions	1,462	8,776	2,474	175	-	-	-	-
+ short positions	4,188	7,247	1,453	-	-	-	-	-

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.

The model for foreign exchange risk management and governance was applied to the entire consolidation scope and, in the reporting year, the guidelines issued by the Parent Company were applied also to Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A., which were acquired at the end of 2017 and then merged in 2018.

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 Group, consistently with the guidelines given by Crédit Agricole S.A.

Within the process for exchange risk management, primary responsibility is assigned to corporate bodies/departments, according to their respective scopes, and they must be completely aware of the Bank's level of exposure. Specifically:

- the Board of Directors is tasked with strategic oversight and is therefore responsible for defining risk governance policies and management processes;
- the Deputy General Manager in charge of Corporate Banking, through the Capital Market Division, is responsible for risk management, and, therefore, defines and steers the Group's mechanism for the management of 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 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. 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 value in euro of the single positions and it validated by the Risk 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 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 role assigned to the Risk Management and Permanent Controls Department. The outcomes of monitoring on limits are included in the monthly Report on Financial Risks. It is sent to the Group's Top Management (CFO), to the Departments engaged in 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 foreign exchange risk positions breaching the authorized operational limits. Back-to-back hedging transactions are carried out with Authorized Financial Counterparties and are traded upon the closing of the relevant transactions with customers.

QUANTITATIVE DISCLOSURES

1. Breakdown by currency of assets and liabilities and derivatives

Items	Currencies					
	US Dollar	Pound Sterling	Yen	Canadian Dollar	Swiss Franc	Other currencies
A. Financial Assets	**168,186**	**12,682**	**2,504**	**3,524**	**9,481**	**65,734**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	313	-	-	-	-	-
A.3 Loans to banks	42,854	9,294	2,495	3,101	5,890	62,197
A.4 Loans to customers	125,019	3,388	9	423	3,591	3,537
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**1,080**	**527**	**70**	**84**	**442**	**289**
C. Financial Liabilities	**173,150**	**13,009**	**2,794**	**2,949**	**9,703**	**65,676**
C.1 Loans to banks	40,935	3,411	138	816	2,512	5,964
C.2 Loans to customers	132,215	9,598	2,656	2,133	7,191	59,712
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**1,518**	**240**	**15**	**182**	**131**	**375**
E. Financial derivatives	**315,326**	**7,512**	**4,812**	**10,625**	**3,288**	**5,581**
- Options	234	502	-	-	1	-
+ long positions	117	251	-	-	8	-
+ short positions	117	251	-	-	8	-
- Other derivatives	315,092	7,010	4,812	10,625	3,272	5,581
+ long positions	157,364	3,636	2,486	5,326	1,665	2,775
+ short positions	157,728	3,374	2,326	5,299	1,607	2,806
TOTAL ASSETS	**326,747**	**17,096**	**5,060**	**8,934**	**11,596**	**68,798**
TOTAL LIABILITIES	**332,513**	**16,874**	**5,135**	**8,430**	**11,449**	**68,857**
Mismatch (+/-)	**5,766**	**222**	**75**	**504**	**147**	**59**

Section 3 - Derivatives 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 derivatives	Total 31 Dec. 2018			Organised markets
	Over the counter			
	Central Counterparties	Without central counterparties		
		With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**-**	**3,195,415**	**2,843,252**	**-**
a) Options	-	992,623	761,376	-
b) Swaps	-	2,202,792	2,081,876	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**174**	**-**
a) Options	-	-	174	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Foreign exchange and gold	**-**	**148,084**	**244,006**	**-**
a) Options	-	37,167	37,167	-
b) Swaps	-	-	-	-
c) Forwards	-	110,917	206,839	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**1,510**	**1,514**	**-**
5. Other	**-**	**-**	**-**	**-**
TOTAL	**-**	**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 Dec. 2018			Organised markets
	Over the counter			
	Central Counterparties	Without central counterparties		
		With netting agreements	Without netting agreements	
1. Positive fair value				
a) Options	-	2,494	1,610	-
b) Interest rate swaps	-	1,349	45,244	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	912	2,875	-
f) Futures	-	-	-	-
g) Other	-	-	24	-
TOTAL	**-**	**4,755**	**49,753**	**-**
2. Negative fair value				
a) Options	-	1,741	1,758	-
b) Interest rate swaps	-	54,004	107	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	1,132	2,615	-
f) Futures	-	-	-	-
g) Other	-	20	-	-
TOTAL	**-**	**56,897**	**4,480**	**-**

A.3 OTC financial derivatives held for trading: notional values, gross positive and negative fair values by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional value	X	-	187,364	2,655,888
- positive fair value	X	-	2,246	43,714
- negative fair value	X	-	8	1,729
2) Equity securities and equity indices				
- notional value	X	174	-	-
- positive fair value	X	445	-	-
- negative fair value	X	-	-	-
3) Foreign exchange and gold				
- notional value	X	53,166	-	190,839
- positive fair value	X	985	-	2,340
- negative fair value	X	916	-	1,826
4) Commodities				
- notional value	X	-	-	1,514
- positive fair value	X	-	-	24
- 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	-	3,192,935	2,481	-
- gross positive fair value	-	3,713	-	-
- gross negative fair value	-	55,235	62	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	148,084	-	-
- gross positive fair value	-	1,041	-	-
- gross negative fair value	-	1,581	-	-
4) Commodities				
- notional value	-	1,510	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	20	-	-
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/Residual maturity	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	451,796	3,630,304	1,956,567	6,038,667
A.2 Financial derivatives on equity securities and equity indices	-	174	-	174
A.3. Financial derivatives on foreign exchange rates and gold	385,103	6,987	-	392,090
A.4 Financial Derivatives on commodities	3,024	-	-	3,024
A.5 Other financial derivatives	-	-	-	-
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 fair 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 and Inflation-linked 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 cap to customers (macro-hedging), government securities in reserves (asset-swap hedging) and modelled 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.

B. Cash flow hedging

There is no current cash flow hedging.

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 set for all the types of hedging 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 the 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 portion referring to interest rate risk. 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 recognised as Assets (fixed rate):

The hedged item is limited to portion referring to interest rate risk. 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 recognised as Liabilities:

The hedged item is limited to portion referring to interest rate risk. 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 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 mortgage loans (variable rate):

The hedged item is limited to portion referring to interest rate risk. 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. 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

Underlying assets/Ty0pe of derivatives	Total 31 Dec. 2018			
	Over the counter			Organized markets
	Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements	
1. Debt securities and interest rates	**-**	**22,967,380**	**-**	**-**
a) Options	-	1,833,892	-	-
b) Swaps	-	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	**-**	**22,967,380**	**-**	**-**

A.2 Financial derivatives held for hedging: gross positive and negative fair value - breakdown by product

Underlying assets/Ty0pe of derivatives	Total 31 Dec. 2018			
	Over the counter			Organized markets
	Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements	
1. Positive fair value				
a) Options	-	60,095	-	-
b) Interest rate swaps	-	375,579	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
TOTAL	**-**	**435,674**	**-**	**-**
2. Negative fair value				
a) Options	-	-	-	-
b) Interest rate swaps	-	426,993	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
TOTAL	**-**	**426,993**	**-**	**-**

A.3 OTC financial derivatives held for hedging: notional values, gross positive and negative fair values by counterparty

	Central counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting agreements				
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	**-**	**23,830,047**	**-**	**-**
- notional value	-	22,967,380	-	-
- gross positive fair value	-	435,674	-	-
- gross negative fair value	-	426,993	-	-
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 assets/Residual maturity	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	2,968,250	9,555,926	10,443,204	22,967,380
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. 2018	**2,968,250**	**9,555,926**	**10,443,204**	**22,967,380**

D. HEDGED ITEMS

D.1 Fair value hedging

	Microhedges: book value	Microhedges – net positions: book value of assets and liabilities (prior to netting)	Micro-hedges			Macrohedges: book value
			Cumulative fair value changes (hedged instrument)	Termination of hedging: residual cumulative fair value changes	Changes in value used to assess hedge ineffectiveness	
A. ASSETS						
Financial assets measured at fair value through other comprehensive income - hedging of:	**2,064,154**	**-**	**22,789**	**3,771**	**-**	
1.1 Debt securities and interest rates	2,064,154	-	22,789	3,771	-	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:	**1,786,234**	**-**	**66,930**	**1,186**	**-**	
1.1 Debt securities and interest rates	1,784,738	-	66,693	-	-	X
1.2 Equity securities and equity indexes	-	-	-	-	-	X
1.3 Foreign exchange and gold	-	-	-	-	-	X
1.4 Loans	1,496	-	237	1,186	-	X
1.5 Other	-	-	-	-	-	X
TOTAL 31 DEC. 2018	**3,850,388**	**-**	**89,719**	**4,957**	**-**	**-**
TOTAL 31 DEC. 2017	**-**	**-**	**-**	**-**	**-**	**-**
B. LIABILITIES						
Financial liabilities measured at amortized cost - hedging of:						
1.1 Debt securities and interest rates	6,939,409	-	3,406	295	-	X
1.2 Foreign exchange and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
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				
- notional value	-	26,160,315	2,481	-
- positive fair value	-	315,913	-	-
- negative fair value	-	358,753	62	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	148,084	-	-
- positive fair value	-	14	-	-
- negative fair value	-	564	-	-
4) Commodities				
- notional value	-	1,510	-	-
- positive fair value	-	-	-	-
- negative fair value	-	20	-	-
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 the Bank may not be able to meet its payment commitments, both expected and unexpected, without prejudicing its daily operations or its financial position. This risk is managed based on the following components:

- management of short-term liquidity: its objective is to ensure the balance between incoming and outgoing liquidity flows, in the perspective of continuously supporting normal banking operations;
- management of structural liquidity: its objective is to maintain the balance between total liabilities and medium-/ long-term assets.

The 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 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, the Plan d’Urgence and the Contingency Funding Plan.
- the CFO 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 mechanism, controls compliance with global and operational limits, as well as with alert thresholds, prepares the reporting to corporate Bodies and triggers, where required, the alert procedures. Jointly with the Finance Department, it is also responsible for monitoring the ratios/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 the Bank is able to meet its on-balance-sheet payment commitments, expected and unexpected, in such a way as not to prejudice normal business.

A key condition for achieving this objective is to constantly maintain sufficient balance between incoming and outgoing liquidity flows.

The liquidity risk monitoring system considers the following factors:

- keeping immediate liquidity, i.e. the net balance of customer sources, excess own funds and loans to customers. This is carried out by recognizing cash inflows and outflows expected in the various ranges

of residual maturity making up the maturity ladder;
- the continuation of the business activity based on planned rates (monitoring the

performance of liquidity from loans to customers/customer sources).

An essential aspect of liquidity management is the definition of an interbank short-term refinancing limit (LCT - Limite Court Terme), which is fine-tuned using the method set by the Liquidity System and aimed at ensuring surplus liquidity over a one-year horizon in a market under stress conditions.

Short-term liquidity risk management and oversight policies aim at ensuring the surmounting of any crisis that leads to serious reduction in the Group's normal financing sources; in this regard, three stress scenarios have been identified:

- systemic crisis: a situation that leads to partial closure of the short-term and medium-/long-term refinancing market, with continuing business operations. The Group must be able to continue operations for a time horizon of one year;
- idiosyncratic crisis: a situation that leads to a bank run, partial closure of the short-term market and total closure of the medium-/long-term market with continuing business operations. In this scenario, the Group must be able to continue operations for a time horizon of three months.
- global crisis: a situation having the combined features of both a systemic crisis and an idiosyncratic crisis, in terms of substantial bank run, total closure of the markets, use of reserves even though with write-downs. The Group must be able to continue business operations in a serious crisis for a time horizon of one month.

Within Short-Term Liquidity Risk monitoring, on a monthly basis the Bank calculates its Liquidity Coverage Ratio (LCR= Stock of high quality liquid assets/Total net cash outflows in the subsequent 30 calendar days). LCR is a 30-day horizon ratio that simulates the combination of a systemic crises and an idiosyncratic one and measures the ability of the stock of liquid assets to ensure coverage of expected net cash outflows in the subsequent 30 calendar days.

In 2018, in compliance with the Basel III regulatory framework, the LCR and ALMM (Additional Liquidity Monitoring Metrics) were duly reported to the Supervisory Authorities on a regular basis.

As at 31 December 2018, the Liquidity Coverage Ratio (LCR) of Crédit Agricole Italia was 153%, 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 the Group financial balance between stable founding (medium-/long-term funding on the market, funding from customers, own funds) and long-term uses (non-current assets, loans to customers, customers' securities and LCR reserves). PRS and CRS positive levels substantiate the Group's ability to support its assets during a crisis.

Moreover, 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 loans.

The resilience ratios and indicators for every one of the assumed scenarios are calculated on a monthly basis.

These ratios and indicators have the purpose of monitoring compliance with the Group's risk appetite and are benchmarked against specific limits laid down by Crédit Agricole S.A. and approved by the Group Risk Committee, upon presentation of the Risk Strategy and then submitted to the Board of Directors of the Parent Company Crédit Agricole Italia for its approval.

It is reported that, in 2018, the Parent Company Crédit Agricole Italia carried out a Covered Bond issue on the market for a total of euro 500 million; the Covered Bonds were fully subscribed by institutional investors. With this transaction, the Group aims at improving its liquidity profile diversifying financing sources and stabilizing them on longer maturities.

Crédit Agricole FriulAdria and Crédit Agricole Carispezia participated in the cover pool transferring credit claims from mortgage loan 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 control of compliance with the set limits (global, operational and alert thresholds). On a monthly basis, it prepares and sends its Financial Risk Report to the Corporate Bodies, which provides information on the control outcomes and on any breaches of limits, and activates, where required, the appropriate alert procedures. On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to the Boards of Directors of all the Entities of the Crédit Agricole Italia Banking Group.

Jointly with the Finance Department, the Risk Management and Permanent Controls Department is also responsible for monitoring the ratios provided for in the Contingency Funding Plan.

QUANTITATIVE DISCLOSURES

1. Breakdown of financial assets and liabilities by residual contract maturity

Items/Timeframe (euro)	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 months to 3 months	From more than 3 months to 6 months	From more than 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets	**2,546,265**	**105,874**	**203,089**	**1,250,165**	**1,590,013**	**1,638,000**	**4,192,043**	**16,665,917**	**19,328,502**	**2,502,461**
A.1 Government securities	25	-	439	-	41,017	27,215	296,664	3,456,400	2,050,611	-
A.2 Other debt securities	79	-	-	-	-	-	9,254	13,332	7,026	135,318
A.3 Units of collective investment undertakings	25,004	-	-	-	-	-	-	-	-	-
A.4 Loans	2,521,157	105,874	202,650	1,250,165	1,548,996	1,610,785	3,886,125	13,196,185	17,270,865	2,367,143
- banks	134,788	49	3,565	755,977	423,551	326,087	833,782	1,045,805	1,577,050	2,367,143
- customers	2,386,369	105,825	199,085	494,188	1,125,445	1,284,698	3,052,343	12,150,380	15,693,815	-
On-balance-sheet liabilities	**31,426,065**	**126,300**	**82,188**	**127,676**	**693,151**	**230,953**	**283,506**	**7,455,911**	**6,633,682**	**-**
B.1 Deposits and current accounts	31,173,565	-	-	90,612	225,802	70,557	8,293	185,065	1,557,050	-
- banks	548,970	-	-	90,348	70,068	70,073	-	184,995	1,557,050	-
- customers	30,624,595	-	-	264	155,734	484	8,293	70	-	-
B.2 Debt securities	116,716	126,300	81,474	32,033	262,510	144,236	249,707	2,916,918	4,289,489	-
B.3 Other liabilities	135,784	-	714	5,031	204,839	16,160	25,506	4,353,928	787,143	-
Off-balance-sheet transactions	**111,834**	**35,827**	**19,911**	**52,001**	**175,294**	**119,702**	**203,954**	**149,438**	**135,132**	**-**
C.1 Financial derivatives with exchange of principal	-	30,032	5,616	43,240	108,239	85,348	61,659	7,252	132	-
- long positions	-	14,556	2,760	21,668	54,116	42,671	30,886	3,874	132	-
- short positions	-	15,476	2,856	21,572	54,123	42,677	30,773	3,378	-	-
C.2 Financial derivatives without exchange of principal	111,834	5,795	14,295	8,761	67,055	34,354	142,295	142,186	135,000	-
- long positions	52,243	5,795	14,110	8,732	47,076	25,303	98,710	138,593	-	-
- short positions	59,591	-	185	29	19,979	9,051	43,585	3,593	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 months to 3 months	From more than 3 months to 6 months	From more than 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets	**53,971**	**46,044**	**24,347**	**75,286**	**36,742**	**9,957**	**2,654**	**12,081**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.4 Loans	53,971	46,044	24,347	75,286	36,742	9,957	2,654	12,081	-	-
- banks	33,044	33,530	1,583	53,372	3,502	-	-	998	-	-
- customers	20,927	12,514	22,764	21,914	33,240	9,957	2,654	11,083	-	-
On-balance-sheet liabilities	**213,180**	**4,963**	**4,033**	**16,749**	**21,244**	**3,584**	**3,720**	**-**	**-**	**-**
B.1 Deposits and current accounts	210,801	4,963	4,033	16,749	21,244	2,792	2,712	-	-	-
- banks	3,606	4,963	4,033	14,764	18,460	2,792	1,305	-	-	-
- customers	207,195	-	-	1,985	2,784	-	1,407	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	2,379	-	-	-	-	792	1,008	-	-	-
Off-balance-sheet transactions	**5,650**	**40,009**	**6,089**	**49,521**	**110,337**	**91,193**	**63,555**	**7,388**	**18**	**-**
C.1 Financial derivatives with exchange of principal	-	29,135	6,089	44,448	110,260	87,266	63,380	7,388	18	-
- long positions	-	14,576	3,294	22,224	55,130	43,633	31,690	3,493	9	-
- short positions	-	14,559	2,795	22,224	55,130	43,633	31,690	3,895	9	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	1,916	-	61	-	1,453	-	-	-	-
- long positions	-	1,715	-	-	-	-	-	-	-	-
- short positions	-	201	-	61	-	1,453	-	-	-	-
C.4 Irrevocable commitments to disburse funds	5,650	8,958	-	5,012	77	2,474	175	-	-	-
- long positions	1,462	1,973	-	5,012	77	2,474	175	-	-	-
- short positions	4,188	6,985	-	-	-	-	-	-	-	-
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 2018, 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 2018, the residual debt of securitized loans amounted to euro 2,686 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 949 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 978 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 949 million and euro 978 million, respectively, with maturities on 31 January 2058 and 30 April 2060; the derivative amortization reflects the amortization of senior security.

Section 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, CA Carispezia and CA FriulAdria with the regulatory requirements for the use of the Traditional Standardised Approach (TSA) and full compliance of the other banking entities of the Group with the requirements for the use of the Basic indicator approach (BIA) to calculate their supervisory capital.
- to constantly improve the monitoring of risks and losses, in order to allow a management- oriented approach, especially in terms of risk mitigation and prevention initiatives, as well as risk culture dissemination;
- 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 S.A., and reports on a solid line to the latter.

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

In compliance with the supervisory regulations, the Group has formalized the roles and responsibilities of the corporate bodies and structures involved in the management of operational risks.

The governance model provides for:
- a centralized strategy for the control of operational risks;
- close connections with the activities for permanent controls;
- synergies with the Compliance Department and with the Internal Audit Department.

Risk management

The Group has adopted a model that is consistent with the guidelines issued by Crédit Agricole and governed by the central department, which works with the well-established and complementary contributions, in its operating, management and mitigation activities, of specialized roles, departments and mechanisms:
- ORM (Operational Risk Manager, Italian acronym: MRO);
- control on Outsourced Important Operational Functions/Provision of Outsourced Essential Services (Italian acronyms FOIE/PSEE) and on Physical Security;

- PRSI (Pilote des Risques SI), in charge of monitoring and control of IT risks on the Information System and on the Business Continuity Plan (BCP or with the Italian acronym PCO);
- CISO (Chief Information Security Officer), who is responsible for the security of corporate information;
- information Security Manager (ISM): who is responsible for the implementation and management of the Information System operational security;
- business Continuity Manager (BCM), who is responsible for the Group's Business Continuity Plan;
- persons in charge of Controls, within the Distribution Network structures, with the task of performing 2nd degree 1st level permanent controls;
- structures, systems and tools, instrumental for proper risk control and for the management of mitigation/improvement actions, including:
  - the Risk and Internal Control Committee;
  - the FOIE/PSEE Interfunctional Unit for the Provision of Outsourced Important Operational Functions and the Provision of Outsourced Essential Services;
  - the BCP (Business Continuity Plan) Interfunctional Unit;
  - the Supervisory Committee on IT Security and on BCP of the Parent Company Crédit Agricole S.A. (CSSCA, Supervisory Committee on Security and Business Continuity);
  - the system of 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 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 of the permanent controls plan, both within the Distribution Network and at 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 mechanism for control and monitoring on outsourced essential services (FOIE/ PSEE):
- implementation of the mechanism for control and monitoring on:
  - physical security;
  - Business Continuity (BCP);
- implementation of the unit engaged in control and monitoring of Information and Communication Technology (ICT) Risk.

Transfer of risk

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 Crédit Agricole 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.

Other activities implemented

Proactive involvement in the most important corporate projects, especially those with high organizational impact, in order to provide its contribution, from the earliest phases, for consistent and complete preparation of the mechanisms for the management of the risks that are inherent in each project.

Implementation of initiatives aimed at compliance with the new Supervisory regulation on the Internal Controls System (ICS).

Risk management oversight and shared solutions

This is the specific task of the Group Risk and Internal Control Committee, composed of the main Corporate Departments, which is responsible for:
- approving guidelines and action plans on operational risks;
- reporting on LDC (Loss Data Collection);
- monitoring control activities and outcomes, as well as periodically validating the mapping of operational risks;
- governing Business Continuity for the Crédit Agricole Italia Banking Group;
- monitoring and, if necessary, taking action on Information and Communication Technology (ICT) Risk for the Crédit Agricole Italia Banking Group, assessing the situation based on the periodic reporting made by the PRSI (Pilote des Risques SI) and by the CISO (Chief Information Security Officer) .
- assessing the dossiers on outsourced important operational functions and essential services (FOIE/PSEE) for the Crédit Agricole Italia Banking Group;
- managing risk transfer, with specific reference to insurance coverage.

FOIE – Outsourced Essential Services (called PSEE – Provisions of Outsourced Essential Services - by Crédit Agricole S.A.)

The FOIE/PSEE control function, which is part of the Operational Risks and Permanent Controls Division of the Risk Management and Permanent Controls Department, is responsible for the process governing the outsourcing of essential services and for defining the relevant regulation; it also has specific responsibilities for the control/monitoring phases and for 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 2018, 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 an outsourcing culture;
- 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 FOIE/PSEE control function and aimed, depending on the respective responsibilities, at acquiring all information and updates required to control compliance of all relationships with vendors (in terms of agreements and performance) with the regulatory guidelines, both Supervisory and corporate ones;
  - regular updating of the permanent controls plan;
  - systematic exercise of specific activities (e.g. Risk assessment, participation in Work Groups), also in cooperation with the corporate departments and divisions concerned, for direct monitoring of FOIE-related operational risks.

In 2018, 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 deemed essential are met or continue to be met for newly-outsourced or already outsourced services being reviewed;
- analyzing and managing the critical situations that actually occurred;
- increasing awareness of the relevant Corporate Structures in order for them to implement the most suitable solutions to maintain full compliance of all outsourced services they own with the applicable legislation and regulations.

The most important results concerned the robustness of contracts with vendors and the consolidation of methods, approaches and culture on this matter, all foreboding satisfactory general quality within the outsourcing of Important Operational Functions (FOI).

IT systems security

Pursuant to the regulatory provisions issued by the Bank of Italy (Circular 285/13), Information and Communication Technology (ICT) Risk is defined as the "risk of suffering losses, in terms of income, reputation and market shares, associated with the use of Information and Communication Technology (ICT) [...]. In the integrated statement of corporate risks for prudential purposes (ICAAP), this type of risk is included, in accordance with specific aspects, among operational, reputational and strategic risks".

To analyze and assess ICT risks on its IT resources, the Crédit Agricole Italia Banking Group implements and develops the key concepts of the "MESARI Risk Analysis Methodology" of the Parent Company Crédit Agricole S.A., supplementing it, to achieve an overall representation of its risk position, with:

- the definition of the risk taxonomy of the information system;
- the outcomes of the Risk Self-Assessment Process;
- the outcomes of the process for collection of Operational Losses data;
- the outcomes of the Permanent Controls framework;
- continuous information flows on the main processes/events concerning the Information System and Information System Security, with specific reference to incident management.

The IT Risk Governance structure is now fully operational in terms of roles and responsibilities and, in 2018, some important crosswise actions were implemented to comply with regulatory requirements, such as those laid down by the Directive (EU) 2015/2366, the so-called Payment Services Directive 2 (PSD2), and the General Data Protection Regulation (EU) 2016/679 (GDPR), as well as with Group requirements, such as CARS (CA Renforcement de la sécurité).

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 to be engaged in Control of IT Risks (Information System and Information Security System - Italian acronym PRSI);
- the Human Resources and Strategic Marketing Governance Department of the Crédit Agricole Italia Banking Group, with the Chief Information Security Officer (CISO) placed within this Department, for the Information Security System scope;
- the Head of the Security Division of Crédit Agricole Group Solutions, who has been vested with the role of Security Manager (RSI - Responsable de la Sécurité Informatique) for the Information Security System scope;
- Crédit Agricole Group Solution for the Information System scope (other non-Security risks).

Business Continuity Plan (Italian acronym: PCO)

In 2018, the Group continued to update and verify its Business Continuity Plan to take account of the changes in the scenario and in the Group's organisational, technology and software infrastructure.

In 2018, the main activities were:
- full implementation of the actions to comply with the Supervisory regulations (Bank of Italy Circular No. 285/2013) as regards the technical-organizational changes occurred in the Group;
- full implementation of the method adopted by the Parent Company Crédit Agricole S.A. for Business Continuity Management;
- the implementation, on a regular basis, of testing and certification sessions concerning the solutions for the restoration of IT Systems (both mainframe and departmental environments, networks and TLC, Security Control-room) and the critical processes in the business continuity perimeter, including special scenarios of "massive unavailability of servers or workstations (WS)" and "logic unavailability of the information system with restarting from scratch";
- full implementation of the procedures provided for by the Crisis Management Organizational Model (Italian acronym MOGC) regarding the management of data availability;
- the adequacy assessment and analysis of business continuity plans and of the relevant tests of providers of Outsourced Important Operational Functions (FOIE);
- the updating of the Business impact analysis (BIA);
- the updating of 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 departments and divisions engaged in control functions

Loss data

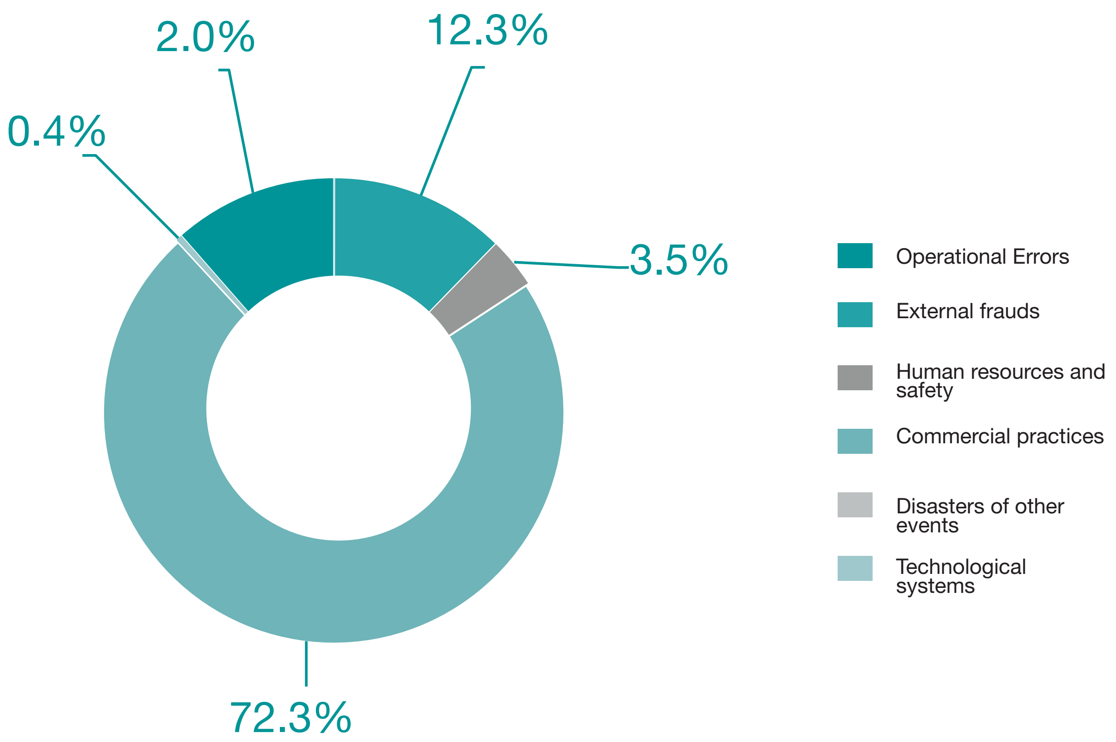
Operational losses, which the model considers as quantitative data, are collected, managed and analyzed, to different levels of granularity and detail, using an event classification scheme complying with the one set by the Basel II Framework, by the Supervisory Authority and by Crédit Agricole S.A. The basic structure is as follows:

- internal frauds: events due to deliberate acts committed by at least one party internal to the Bank and causing losses to the Bank;
- external frauds: events due to deliberate acts committed exclusively by parties that cannot be defined as internal to the Bank, generally for the purpose of personal gain;
- relations with staff and workplace safety: events relating to the relations between the company and its staff or to the failure of the workplace to meet health and safety standards. These include liabilities arising from accidents to employees in company offices or vehicles;
- business practices: events linked to the supply of products and provision of services to customers carried out in an improper or negligent manner (fiduciary requirements and adequate information on investments), as well as defects in the nature or features of products/models/contracts. These include liabilities arising from breach of public security laws or other legislation not specific to the banking sector;
- disasters or other events: events due to natural causes or human actions, which lead to damage to company resources (tangible or intangible property, persons, etc.) and/or service interruptions or other events (including improper conduct/illegal acts by third-party companies that damage the company). The category also includes liabilities arising from political changes and retroactive changes in legislation and taxation;
- technological systems and services: losses arising from the malfunctions, logical or structural defects in technological and other support systems;
- execution, delivery and management of processes: events arising from unintentional errors in the management of operational and support assets or caused by counterparties other than customers and Suppliers/Providers.

For Loss Data Collection and for reporting consolidated loss data, the Crédit Agricole Italia Banking Group has adopted an IT application especially designed for the adoption of advanced approaches, as well as specific tools and models developed directly by Crédit Agricole S.A.

QUANTITATIVE DISCLOSURES

With reference to sources of operational risk, the breakdown of net losses (gross losses net of other collection excluding insurance-related ones) by event type recognised in 2018 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 2018 is given below:

Items/Values	31 Dec. 2018	31 Dec. 2017
1. Share capital	962,672	934,838
2. Share premium reserve	3,118,249	2,997,927
3. Reserves	1,218,490	1,007,041
- Income reserves	1,215,675	1,004,251
a) legal reserve	164,343	153,758
b) reserve provided for by the Articles of Association	589,045	848,136
c) treasury shares	-	-
d) other	462,287	2,357
- other	2,815	2,790
3.5 Interim dividends (-)	-	-
4. Equity instruments	715,000	365,000
5. (Treasury Shares)	-	-
6. Valuation reserves	-106,427	-4,623
- Equity securities designated at fair value through other comprehensive income	-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	-63,462	-
- Financial assets available for sale		20,038
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedging of investments in foreign operations	-	-
- Cash flow hedges	-	-
Hedging instruments (non-designated elements)	-	-
- Exchange rate 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	-40,675	-24,661
- Share of Valuation Reserves on investees measured using the equity method	-	-
- Special revaluation laws	-	-
7. Net profit (loss) for the year	252,124	211,712
TOTAL	**6,160,108**	**5,511,895**

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Assets/Values	31 Dec. 2018		31 Dec. 2017	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-63,462	22,070	-192
2. Equity securities	1,102	-3,392	871	-2,711
3 Loans	-	-	-	-
TOTAL	**1,102**	**-66,854**	**22,941**	**-2,903**

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	**23,197**	**1,840**	**-**
2. Increases	**4,482**	**2,796**	**-**
2.1 Fair value gains	-	325	-
2.2 Net losses (recoveries) on impairment	557	X	-
2.3 Reversal to profit or loss of negative reserves	13	X	-
2.4 Transfers to other equity components (equity securities)	-	-	-
2.5. Other changes	3,912	2,471	-
3. Decreases	**91,141**	**3,245**	**-**
3.1 Fair value losses	81,675	919	-
3.2 Impairment provisions	137	-	-
3.3 Reversal to profit or loss of positive reserves from disposal	9,329	X	-
3.4 Transfers to other equity components (equity securities)	-	2,326	-
3.5. Other changes	-	-	-
4. Closing Balance	**63,462**	**2,289**	**-**

B.4 Valuation reserves relating to defined-benefit plans: changes for the year

	31 Dec. 2018
1. Opening balance	**-24,661**
2. Increases	**7,993**
2.1 Actuarial gains	1,919
2.2. Other changes	6,074
3. Decreases	**24,007**
3.1 Actuarial losses	5,385
3.2. Other changes	18,622
4. Closing Balance	**-40,675**

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/bilanci-cariparma, posted concomitantly with the publication of the Parent Company’s 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 Group (to be recognised with the "purchase method" in accordance with IFRS 3 "Business Combinations").

On the other hand, as regard corporate reorganization between the companies belonging to the same group, in the reporting period, with effective date for accounting and tax purposes on 1 January 2018, the merger by absorption of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A. was finalized, (for more exhaustive reporting, please refer to the Annual Report and Consolidated Financial Statements as at 31 December 2017).

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 recognise these combinations, the mergers by absorption have been recognised 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 principle "continuity of values" 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 banks, 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 derecognised:

- reciprocal accounts receivable and payable;
- costs and revenues from the transactions between the surviving entity Crédit Agricole Italia and the merged entities;
- the values of the equity investments from the Parent Company's separate financial statements;
- the equity balances of the merged 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 activities and conflicts of interest with associated persons falls within the scope of the framework regulation concerning related parties (Article 2391-bis of the Italian Civil Code, Article 53 of the Italian Consolidated Law on Banking 53 of the Italian Consolidated Law on Banking (TUB) and CONSOB Regulation No. 17221/10) and has been designed to "control the risk that the closeness of some persons to the Bank's decision-making centers may compromise the objectivity and impartiality of decisions relating to loan granting and other transactions with the same persons, with possible distortions in the allocation of resources, in the Bank's exposure to risks not adequately measured or controlled, potential damages to depositors and shareholders". This regulation came into force on 31 December 2012 and, consequently, the first supervisory reporting was made on 31 March 2013, as required by the Supervisory Authority.

The Crédit Agricole Italia Banking Group had already adopted a Regulation on transactions with related parties implementing the original CONSOB regulation of 2010; 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 Activities and Conflicts of Interests with Parties associated to the Crédit Agricole Italia Banking Group", in order to give the Group a specific internal regulation 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 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 activities with associated persons, sets the procedures to process and approve transactions with related parties, defines specific rules with regard to transactions with related parties made by the companies belonging to the Group and lays down procedures and timeframes for the provision of reporting and appropriate documentation on the transactions (i) to independent directors/Related Party Committee, as well as, where necessary, (ii) to the control bodies.

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

Related parties

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

a. corporate Officer;
b. shareholder/Investor;[1]

[1] "shareholder/investor": the person or entity required to apply for the authorizations pursuant to Article 19 et seq. of the Italian Consolidated Law on Banking (T.U.B.).

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

Associated Persons

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

1. Information on remuneration of managers with strategic responsibilities

In the light of the above-mentioned Regulation, "Managers with strategic responsibilities include persons" having direct and indirect power and responsibility over the planning, management and control of the operations of Crédit Agricole 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 man benefits awarded to Directors, Auditors and Managers tasked with strategic responsibilities.

	31 Dec. 2018
Short-term employee benefits	8,715
Benefits subsequent to severance from employment	203
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.

Pursuant to Article 5 paragraph 8 of CONSOB Resolution no. 17221 of 12 March 2010, "Public information on transactions with related parties", the significant transactions with related parties finalized in 2018 and not in the scope of the "Single Regulation" as carried out with subsidiaries, are reported below:

- annual revision with request to increase the structure of short-term credit lines and new allocation for medium/long-term loans with Crédit Agricole Leasing Italia;
- revision of credit lines and new medium-/long-term loans with Agos Ducato S.p.A.;
- revision for renewal and increase in the credit lines with FCA Bank S.p.A./Leasys S.p.A.;
- assignation to Crédit Agricole Italia of loans to Agos Ducato S.p.A and Leasys S.p.A.

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

Type of related parties	Financial assets held for trading	Financial assets through other comprehensive income	Financial assets measured at amortized cost: loans to customers	Financial assets measured at amortized cost: loans to banks	Financial liabilities measured at amortized cost: loans to customers	Financial liabilities measured at amortized cost: loans to banks	Guarantees issued
Controlling Company	-	-	-	108,958	-	811,753	1,532
Entities exercising significant influence on the Company	-	-	-	-	13,193	-	-
Subsidiaries	1,413		1,686,710	4,183,257	584,528	2,247,460	68,016
Associates	65	-	12,420	-	7,040	-	135
Directors and Managers with strategic responsibilities	-	-	2,144	-	2,222	-	-
Other related parties	4,318	400	5,655,139	837,334	965,841	141,582	92,339
TOTAL	**5,796**	**400**	**7,356,413**	**5,129,549**	**1,572,824**	**3,200,795**	**162,022**

Main income transactions with related parties

Amounts in thousands of euro	Net interest income	Dividend and similar income	Net fee and commission	Income expenses
Controlling Company	-16,187	-	-725	-231
Entities exercising significant influence on the Company	-67	-	185	-
Subsidiaries	-6,591	55,962	1,828	-11,854
Associates	463	-	168	-
Directors and Managers with strategic responsibilities	8	-	152	-8,918
Other related parties	40,121	-	304,273	-98
TOTAL	**17,747**	**55,962**	**305,881**	**-21,101**

PART I - SHARE-BASED PAYMENTS

A. QUALITATIVE DISCLOSURES

1. 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 August 2018 with the assignation of shares to 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 2023), at the end of which time each employee may freely dispose of them.

In 2018, 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 25 thousand.

PART L - SEGMENT REPORTING

OPERATIONS AND INCOME BY BUSINESS SEGMENT

As stated in the "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.

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

The data for the 2018 FY also report the adoption, as of 1 January 2018, of the new IFRS9.

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.

After the acquisition, which was finalized on 21 December 2017, in the reporting period Crédit Agricole Italia completed the merger by absorption of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A., which ended with the migration of information systems and was carried out in three steps, from June to September.

In terms of profit and loss, this combination had a considerable impact on the 2018 accounts, thus making the data published as at 31 December 2017 not comparable.

Crédit Agricole Italia operates through an organizational structure that includes: the Retail and Private Banking channels, designed to provide services to individuals, households and small businesses; the Corporate Banking channel, designed to provide services to larger-size companies. The "Other" channel is of a residual nature and includes the activities pertaining to central departments, with specific reference to governance.

Income from the Retail and Private Banking channels came to euro 1,375 million, increasing by +24% YOY, mainly driven by the net fee and commission income component. The contribution of the Corporate Banking Channel to total revenues came to euro 222 million, increasing vs. 2017 by +15%, thanks to the performance on net fee and commission income and net interest income.

As regards costs, the Retail and Private Banking channels posted a +27% increase vs. 2017 mainly because of higher operating expenses and, to a lesser extent, because of risk components. The costs of the Corporate Banking channel also increased by +18% vs. the previous year.

Assets by segment mainly consisted of loans to customers, property, plant and equipment and intangible assets that can be directly allocated to the operating segments. As at 31 December 2018, the assets of the Retail and Private Banking channels amounted to euro 22.6 billion, increasing (up by +21%) vs. 31 December 2017. The assets of the Corporate Banking channel also increased (up by +21%), coming to euro 15.3 billion.

Liabilities by segment as point volumes consisted of direct funding from customers, which can be directly allocated to the operating segments. Within this aggregate, funding relating to the Retail and Private Banking channels came to euro 26.5 billion, increasing (up by 26%) vs. 2017; the contribution of the Corporate Banking channel came to euro 5.9 billion, decreasing (-17%) vs. the previous year.

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

In accordance with IFRS 8, it is reported that the Bank business operations are essentially carried out in the Italian national territory, they are not subject to periodic performance reporting to the management breaking down by foreign geographical area. The Bank has no customer that could allow the achievement of revenues for an amount exceeding 10% of total revenues recognised.

SEGMENT REPORTING AS AT 31 DECEMBER 2018

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	584,447	121,847	1,819	708,113
Net fee and commission income	576,181	94,588	5,363	676,132
Net profit (loss) on trading activities	2,990	5,086	2,362	10,438
Dividends	0	0	68,241	68,241
Other net operating income (item 90,100,200)	211,651	435	26,090	238,176
Total operating income	**1,375,269**	**221,956**	**103,875**	**1,701,100**
Losses on impairment of financial assets measured at amortized cost	-86,636	-100,364	-74	-187,074
Losses on impairment of other financial assets	-	-	-579	-579
Personnel and administrative expenses and depreciation and amortization	-912,618	-52,651	-249,823	-1,215,092
Provisioning for risks	-621	8,184	20,854	28,417
Total costs	**-999,875**	**-144,831**	**-229,622**	**-1,374,328**
Profit (losses) on equity investments	7,125	285	-	7,410
Profit on disposal of investments	-	-	102	102
Profit (loss) by segment	**7,125**	**285**	**102**	**7,512**
Unallocated operating expenses	-	-	-	-
Operating margin	-	-	-	-
Net profit before taxes	382,519	77,410	-125,645	334,284
Taxes	**-116,707**	**-23,618**	**58,165**	**-82,160**
Profit for the year	265,812	53,792	-67,480	252,124
Assets and liabilities				
Assets by segment (customers + intangibles)	22,594,859	15,339,400	201,272	38,135,531
Equity investments in associates	-	-	1,371,395	1,371,395
Unallocated assets	-	-	16,319,905	16,319,905
Total assets	**22,594,859**	**15,339,400**	**17,892,572**	**55,826,831**
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**

SEGMENT REPORTING AS AT 31 DECEMBER 2017

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	477,208	114,061	3,432	594,701
Net fee and commission income	445,930	72,042	4,818	522,790
Net profit (loss) on trading activities	3,794	6,865	3,113	13,772
Dividends	-	-	49,934	49,934
Other net operating income (item 90,100,190)	183,959	-59	46,923	230,823
Total operating income	1,110,891	192,909	108,220	1,412,020
Losses on impairment of loans	-64,360	-74,742	-295	-139,397
Losses on impairment of AFS financial assets and other financial transactions	-	-	-19,520	-19,520
Personnel and administrative expenses and depreciation/amortization	-721,172	-42,135	-193,238	-956,545
Provisioning for risks	-2,216	-5,507	-4,201	-11,924
Total costs	**-787,748**	**-122,384**	**-217,254**	**-1,127,386**
Profit (losses) on equity investments	6,851	301	-1	7,151
Profit on disposal of investments	-	-	236	236
Profit (loss) by segment	**6,851**	**301**	**235**	**7,387**
Unallocated operating expenses	-	-	-	-
Operating margin	-	-	-	-
Net profit before taxes	329,994	70,826	-108,799	292,021
Taxes	-108,865	-23,366	51,922	-80,309
Profit for the FY	221,129	47,460	-56,877	211,712
Assets and liabilities				
Assets by segment (customers + intangibles)	18,618,876	12,672,643	211,043	31,502,562
Equity investments in associates	-	-	1,493,704	1,493,704
Unallocated assets	-	-	16,158,737	16,158,737
Total assets	18,618,876	12,672,643	17,863,484	49,155,003
Liabilities by segment	21,014,955	7,090,172	348,248	28,453,375
Unallocated liabilities	-	-	15,189,733	15,189,733
Total liabilities	**21,014,955**	**7,090,172**	**15,537,981**	**43,643,108**

FINANCIAL STATEMENTS OF THE CONTROLLING COMPANY CRÉDIT AGRICOLE S.A.*

Disclosure pursuant to Article 2497-bis of the Italian Civil Code.

ACTIF

	31.12.2017	31.12.2016
Opérations interbancaires et assimilées	**137.626**	**142.726**
Caisse, banques centrales	1.659	2.857
Effets publics et valeurs assimilées	15.834	21.160
Créances sur les établissements de crédit	120.133	118.709
Opérations internes au Crédit Agricole	**301.090**	**285.622**
Opérations avec la clientèle	**4.070**	**3.816**
Opérations sur titres	**31.346**	**40.514**
Obligations et autres titres à revenu fixe	31.325	40.507
Actions et autres titres à revenu variable	21	7
Valeurs immobilisées	**63.560**	**62.421**
Participations et autres titres détenus à long terme	885	1.182
Parts dans les entreprises liées	62.538	61.102
Immobilisations incorporelles	24	23
Immobilisations corporelles	113	114
Capital souscrit non versé	**-**	**-**
Actions propres	**27**	**31**
Comptes de régularisation et actifs divers	**17.900**	**20.196**
Autres actifs	5.087	5.341
Comptes de régularisation	12.813	14.855
TOTAL ACTIF	**555.619**	**555.326**

PASSIF

	31.12.2017	31.12.2016
Opérations interbancaires et assimilées	**91.821**	**85.577**
Banques centrales	3	3
Dettes envers les établissements de crédit	91.818	85.574
Opérations internes au Crédit Agricole	**36.667**	**32.734**
Comptes créditeurs de la clientèle	**237.100**	**237.271**
Dettes représentées par un titre	**89.031**	**89.104**
Comptes de régularisation et passifs divers	**20.925**	**25.840**
Autres passifs	7.382	9.115
Comptes de régularisation	13.543	16.725
Provisions et dettes subordonnées	**29.869**	**34.475**
Provisions	1.334	1.661
Dettes subordonnées	28.535	32.814
Fonds pour risques bancaires généraux	**1.112**	**1.076**
Capitaux propres hors FRBG	**49.094**	**49.249**
Capital souscrit	8.538	8.538
Primes d'émission	12.206	12.206
Réserves	12.686	12.624
Écart de réévaluation	-	-
Provisions réglementées et subventions d'investissement	15	17
Report à nouveau	14.085	2.045
Résultat de l'exercice	1.564	13.819
TOTAL PASSIF	**555.619**	**555.326**

* For more exhaustive information, plase refer to the website www.credit-agricole.com

HORS-BILAN DE CRÉDIT AGRICOLE S.A.

	31.12.2017	31.12.2016
Engagements donnés	**20.751**	**22.438**
Engagements de financement	4.652	6.181
Engagements de garantie	16.088	16.257
Engagements sur titres	11	-
	31.12.2017	**31.12.2016**
Engagements reçus	**72.324**	**61.465**
Engagements de financement	61.214	51.179
Engagements de garantie	11.110	10.286
Engagements sur titres	-	-

COMPTE DE RESULTAT DE CRÉDIT AGRICOLE S.A.

	31.12.2017	31.12.2016
Intérêts et produits assimilés	11.164	10.466
Intérêts et charges assimilées	(12.118)	(12.849)
Revenus des titres à revenu variable	1.593	3.513
Commissions (produits)	942	941
Commissions (charges)	(680)	(869)
Gains ou pertes sur opérations des portefeuilles de négociation	443	81
Gains ou pertes sur opérations des portefeuilles de placement et assimilés	139	46
Autres produits d'exploitation bancaire	16	85
Autres charges d'exploitation bancaire	(42)	(59)
Produit net bancaire	**1.457**	**1.335**
Charges générales d'exploitation	(753)	(746)
"Dotations aux amortissements et aux dépréciations sur immobilisations incorporelles et corporelles"	(9)	(14)
Résultat brut d'exploitation	**695**	**575**
Coût du risque	14	(16)
Résultat d'exploitation	**709**	**559**
Résultat net sur actifs immobilisés	634	13.074
Résultat courant avant impôt	**1.343**	**13.633**
Résultat exceptionnel	-	-
Impôt sur les bénéfices	255	213
Dotations/reprises de FRBG et provisions réglementées	(34)	(27)
RÉSULTAT NET DE L'EXERCICE	**1.564**	**13.819**

REPORTING ON PUBLIC FUNDING IN THE SCOPE OF ARTICLE 1, PARAGRAPHS 125-129 OF ITALIAN LAW NO. 124/2017

Italian Law no. 124 of 4 August 2017 "Market and competition annual law" (hereinafter referred to as Law no. 124/2017), at Article 1, paragraphs from 125 to 129, provides for measures aimed at ensuring transparency in public funding.

Among other things, Law 124/2017 requires entities that received public funding to provide reporting in the note to the financial statements as at 31 December 2018 - and, where applicable, in the note to the consolidated financial statements - on "grants, contributions, paid assignments and any other economic advantages of any kind" (hereinafter for short "public funding") from public administrations and entities referred to in Article 1, paragraph 125 of Law 124/2017. Any non-compliance with this reporting obligation shall entail the return of the amounts received to the entities that gave the funding. In order to avoid the accumulation of non-relevant information, the disclosure obligation shall not apply if the public funding received is lower than euro 10,000.

Despite the clarifications given by the Italian Council of State in its opinion no. 1149 of 1 June 2018, Law 124/2017 still generates some doubts on its interpretation and application, especially as regards the objective scope of application, for which reference was made also to the guidelines issued by the trade associations (Assonimeme). Specifically, in accordance with Law 127/2001 core principles and with the guidelines issued, the reporting obligations should not include the following cases:

- considerations for professional services provided, goods supplied or other assignment performed by the entity within its core business operations. Indeed, such considerations do not qualify as grants/subsidy public policies;
- tax benefits available to all entities that meet given conditions, based on pre-determined general criteria, which are also subject to specific reporting;
- subsidized loans given by the entity to its customers, as using funds of others (e.g. contribution to interest expenses given by the public administration) rather than funds of the bank that operates as an intermediary.

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 DEC. 2018
Audit of the accounts (including statutory audit and voluntary one)	1,139
Certification services	214
Other services	115
TOTAL	**1,468**

Annexes

1 **International Accounting Standards endorsed up to 31 December 2018** **578**

2 **Tax information on reserves** **580**

3 **Owned property subject to revaluation pursuant to special laws** **582**

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED UP TO 31 DECEMBER 2018

List of IAS / IFRS		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
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
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
IAS 16	Property, Plant and Equipment	1126/2008 - 70/2009 - 70/2009 - 495/2009 - 301/2013 -28/2015 -2113/2015- 2231/2015 -
IAS 17	Leases	1126/2008 - 243/2010 -2113/2015
IAS 18	Revenue	1126/2008 - 69/2009
IAS 19	Employee Benefits	1126/2008 - 70/2009 - 29/2015 - 2343/2015
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1126/2008 - 70/2009
IAS 21	The Effects of Changes in Foreign Exchange Rates	1126/2008 - 69/2009 - 494/2009 - 149/2011
IAS 23	Borrowing Costs	1260/2008 - 70/2009 - 2113/2015
IAS 24	Related Party Disclosures	1126/2008 - 632/2010 - 28/2015
IAS 26	Accounting and Reporting by Retirement Benefit Plans	1126/2008
IAS 27	Separate Financial Statement	494/2009 - 1254/2012 - 1174/2013 - 2441/2015
IAS 28	Investments in Associates and Joint Ventures	1126/2008 - 70/2009 - 494/2009 - 495/2009 - 149/2011 - 1254/2012 -2441/2015 - 1703/2016 - 182/2018
IAS 29	Financial Reporting in Hyperinflationary Economies	1126/2008 - 70/2009
IAS 31	Interests in Joint Ventures	1126/2008 - 70/2009 - 494/2009 - 149/2011
IAS 32	Financial Instruments: Presentation	1126/2008 - 53/2009 - 70/2009 - 494/2009 - 495/2009 - 1293/2009 149/2011 - 1256/2012 - 301/2013
IAS 33	Earnings per share	1126/2008 - 494/2009 - 495/2009
IAS 34	Interim Financial Reporting	1126/2008 - 70/2009 - 495/2009 - 149/2011 - 301/2013 - 2343/2015- 2406/2015
IAS 36	Impairment of assets	1126/2008 - 69/2009 - 70/2009 - 495/2009 - 243/2010- 1174/2013 - 2113/2015
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1126/2008 - 495/2009
IAS 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

List of IAS / IFRS		Endorsing EU Regulation
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
SIC 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	1126/2008
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1126/2008
SIC 29	Service Concession Arrangements: Disclosures	1126/2008 - 254/2009
SIC 31	Revenues – Barter Transactions involving Advertising Services	1126/2008
SIC 32	Intangible Assets – Website Costs	1126/2008

List of International Accounting Standards whose coordinated text has been adopted with Commission Regulation (EC) No. 1126/2008 of 3 November 2008. The above Regulation was published in the Official Journal of the European Union issue No. L320 of 29 November 2008 and amending Regulation (EC) No. 1725/2003.

The number and date of the EC Regulations endorsing the subsequent amendments and supplements.

Source EFRAG – The EU endorsement process - Position as at 20 February 2019

TAX INFORMATION ON RESERVES

Tax information on equity reserves

	Reserves and provisions that do not form part of Shareholders' income	Reserves and provisions that form part of the Company's taxable income in case of distribution	Reserves and provisions that form part of the Shareholders' taxable income in case of distribution	Undistributable valuation reserves
Share premium reserve	3,075,805	42,444	-	-
Reserve - Contributions for share capital increase	-	-	-	-
Reserve pursuant to It. Leg. D. 124/93 - Art. 13	-	314	-	-
Legal reserve	-	-	164,343	-
Extraordinary reserve	-	-	1,026,801	-
Reserve from first time adoption of IAS/IFRS	-	-	-97,651	-
Reserve from tax adjustment from first time adoption of IAS/ IFRS for realignment of tax and reporting values	-	-	12,319	-
Valuation reserve for other corridor elimination	-	-	-5,076	-
Reserve from measurement of OCIRE securities	-	-	-	-63,462
Reserve from measurement of OCINR securities	-	-	-	-2,290
Reserve from actuarial valuation - employee severance benefits and defined-benefit pension plan	-	-	-	-40,675
Reserve for share-based payments	517	-	1,058	-
Reserve for free assignation of shares	-	-	1,240	-
Reserve from adjustment of Transfer Purchase Price	-	-	605	-
Reserve for interest on Additional Tier 1 instruments	-	-	-39,412	-
Reserve for purchases of business units	-	-	-3,853	-
Reserve for disposal of business units	-	-	21,536	-
Reserve from OCINR category securities for sale	-	-	2,326	-
Extraordinary reserve of undistributable dividends on treasury shares	-	-	5	-
IFRS 9 FTA reserve	-	-	-347,953	-
Carim IAS 19 revised first-time adoption reserve	-	-	-305	-
Merger surplus	-	481,676	-	-
TOTAL	**3,076,322**	**524,434**	**735,983**	**-106,427**

Shareholders' equity: possibility of use and distributability (pursuant to Article 2427 - paragraph 7 bis)

Liabilities	Amount		Possibility of use[*]	Distributable portion	Summary of uses in last three years	
					coverage of losses	other reasons
Share capital	-	962,672	-	-	-	-
Equity instruments	-	715,000	-	-	-	-
Share premium reserve	-	3,075,805	A, B , C (4)	3,075,805	-	-
Share premium reserve taxable pursuant to Law 266/2005	-	42,444	A, B (2), C (3)	42,444	-	-
Reserves	-	1,218,490		-	-	-
Legal reserve	164,343	-	A (1), B	-	-	-
Extraordinary reserve	1,026,801	-	A, B, C	1,026,801	-	-
Reserve - Contributions for share capital increase	-	-	A	-	-	-
Reserve pursuant to It. Leg. D. 124/93 - Art. 13	314	-	A, B, C	314	-	-
Reserve for share-based payments	1,575	-	A, B, C	1,574	-	-
Reserve for free assignation of shares	1,240	-	A, B, C	1,240	-	-
Reserve from adjustment of Transfer Purchase Price	605	-	A, B, C	605	-	-
Reserve for purchases of business units	-3,853	-	A, B, C	-3,853	-	-
Reserve for disposal of business units	21,536	-	A, B, C	21,536	-	-
Reserve from OCINR category securities for sale	2,326	-	A, B, C	2,326	-	-
Reserve for interest on Additional Tier 1 instruments	-39,412	-	A, B, C	-39,412	-	-
Reserve from first time adoption of IAS/IFRS	-97,651	-	-	-	-	-
Reserve from tax adjustment from first time adoption of IAS/IFRS for realignment of tax and reporting values	12,319	-	-	-	-	-
IFRS 9 FTA reserve	-347,953	-	-	-	-	-
Valuation reserve for other corridor elimination	-5,076	-	-	-	-	-
Carim IAS 19 revised first-time adoption reserve	-305	-	-	-	-	-
Extraordinary Reserve Undistributable dividends Treasury shares	5	-	-	-	-	-
Merger surplus	481,676	-	A, B, C	481,676	-	-
Valuation reserves		-106,427	-	-	-	-
Reserve from measurement of OCIRE securities	-63,462	-	-	-	-	-
Reserve from measurement of OCINR securities	-2,290	-	-	-	-	-
Reserve from actuarial valuation - employee severance benefits and defined-benefit pension plan	-40,675	-	-	-	-	-
Net profit for the year		252,124	-	-	-	-
TOTAL		**6,160,108**	**-**	**4,611,056**	**-**	**-**

[*] A: For capital increase B: To cover losses C: For distribution to Shareholders.
[1] Usable for share capital increase (A) for the portion exceeding one fifth of the share capital.
[2] If the reserve is used to cover losses, no profits may be distributed until such reserve is restored or reduced by the same amount. The reduction must be approved by the Extraordinary Shareholders' Meeting without applying the provisions of the second and third paragraphs of Article 2445 of the Italian Civil Code
[3] Unless the reserve is transferred to share capital, it may only be reduced with the application of the provisions of Article 2445 paragraphs 2 and 3 of the Italian Civil Code. If distributed, it shall form part of the Company's taxable income.
[4] Distributable when the legal reserve has reached the fifth one of the share capital.

OWNED PROPERTY SUBJECT TO REVALUATION PURSUANT TO SPECIAL LAWS

List of owned property items that have been revaluated and are still recognised by Crédit Agricole Italia, setting forth the revaluation amount pursuant to Article 10 of Italian Law No. 72 of 19 March 1983.

DESCRIPTION	Book valuenet 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	Deemid cost	Total Cost	Accumulated depreciation as at 31 Dec. 2018	Net book value as at 31 Dec. 2018
VIA UNIVERSITÀ, 1 - PARMA	1,993,035	-	510,263	195,089	2,039,910	6,708,770	-	428,631	-	-	-	11,875,698	2,759,958	9,115,740
VIA CAVESTRO - PARMA	1,767,014	-	385,900	-	1,501,229	3,609,776	-	389,474	-	-	-	7,653,394	2,484,190	5,169,204
AGENZIA CITTÀ N.1 - PARMA	832,165	-	99,914	-	249,070	983,272	-	378,832	-	-	-	2,543,252	1,344,817	1,198,434
AGENZIA CITTÀ N.3 - PARMA	1,514,061	-	56,793	3,788	285,627	807,691	-	189,474	-	-	-	2,857,434	1,531,499	1,325,934
AGENZIA CITTÀ N.6 - PARMA	1,065,819	-	2,406	25,203	112,926	159,997	-	166,015	-	-	-	1,532,365	902,592	629,774
AGENZIA CITTÀ N.8 - PARMA	993,647	-	37	-	382,861	887,578	-	319,388	-	-	-	2,583,512	1,303,897	1,279,614
AGENZIA CITTÀ N.9 - PARMA	587,948	-	15,987	-	186,612	319,851	-	149,334	-	-	-	1,259,733	670,626	589,107
AGENZIA CITTÀ N.4 - PARMA	3,706,292	-	-	-	-	1,954,872	-	607,415	-	-	-	6,268,578	3,995,748	2,272,830
AGENZIA CITTÀ N.2 - PARMA	994,432	-	-	-	-	702,580	-	81,752	-	-	-	1,778,765	892,672	886,093
TALIGNANO	657,722	-	-	-	-	1,710,026	289,767	-	-	-	-	2,657,515	628,013	2,029,501
CA GREEN LIFE VIA LA SPEZIA 138/A P	77,162,070	-	-	-	-	22,803,265	42,608	3,941,633	-	-	-	103,949,575	34,163,922	69,785,653
PARMA - VIA SPEZIA -(PODERE MARTINELLA)	3,844,473	-	-	-	-	42,090	-	-	-	-	-	3,886,562	-	3,886,562
ALBARETO	193,065	-	-	-	-	64,005	-	22,958	-	-	-	280,027	186,260	93,767
BARDI	130,882	-	11,930	5,967	61,540	106,574	-	76,594	-	-	-	393,487	241,503	151,984
BASILICANOVA	312,598	-	-	-	57,102	167,520	13,316	147,621	-	-	-	698,157	348,887	349,270
BEDONIA - NUOVA SEDE	627,586	-	-	-	-	182,435	-	112,306	-	-	-	922,327	544,415	377,912
BERCETO	153,751	-	2,161	11,500	61,274	87,586	-	55,926	-	-	-	372,197	203,760	168,437
BORGOTARO	469,181	-	11,389	18,401	95,615	128,117	-	16,994	-	-	-	739,698	435,600	304,098
BUSSETO FILIALE	721,956	-	22,360	-	-	468,356	-	100,485	-	-	-	1,313,158	726,602	586,555
CALESTANO	63,907	-	9,321	1,911	47,801	94,609	-	17,398	-	-	-	234,947	124,181	110,766
COENZO	371,668	-	1,808	-	-	138,121	-	9,465	-	-	-	521,062	302,953	218,109
COLLECCHIO	2,106,646	-	-	-	-	288,117	-	191,196	-	-	-	2,585,959	1,294,857	1,291,102
COLORNO - NUOVA SEDE	956,352	-	-	-	-	786,454	-	108,667	-	-	-	1,851,473	1,004,896	846,577
CORNIGLIO	151,514	-	26,353	928	48,146	194,040	-	35,078	-	-	-	456,059	199,197	256,862
FIDENZA AGENZIA N.1	2,092,296	-	83,677	29,665	215,527	307,531	-	-	-	-	-	2,728,696	1,109,403	1,619,293
FIDENZA AGENZIA N.2	615,559	-	-	-	28,659	345,710	-	48,093	-	-	-	1,038,021	534,535	503,487
FONTANELLATO	757,817	-	29,897	-	111,655	379,247	-	15,582	-	-	-	1,294,198	664,998	629,200
FORNOVO TARO	1,210,968	-	8,156	19,437	-	198,065	-	14,142	-	-	-	1,450,768	771,355	679,413
LANGHIRANO	996,187	-	42,532	12,128	90,543	562,140	-	50,672	-	-	-	1,754,202	631,915	1,122,287
MEDESANO	228,288	-	18,132	9,531	108,953	219,782	-	40,468	-	-	-	625,153	292,264	332,889
MILANO	2,390,584	-	-	-	-	1,555,993	-	158,469	-	-	-	4,105,046	2,558,553	1,546,492
MONCHIO	58,818	-	1,143	5,726	59,171	90,515	-	10,666	-	-	-	226,039	120,729	105,310
NEVIANO ARDUINI	70,829	-	3,954	2,574	46,044	88,290	-	11,935	-	-	-	223,627	124,854	98,774
NOCETO - FILIALE	808,965	-	14,143	10,558	76,036	108,038	-	28,103	-	-	-	1,045,842	576,637	469,204
PALANZANO	74,940	-	974	8,767	46,594	122,582	-	13,092	-	-	-	266,949	151,115	115,834
PELLEGRINO - FILIALE	245,842	-	15,431	2,998	49,259	182,482	-	19,224	-	-	-	515,236	243,373	271,863
PIEVEOTTOVILLE	44,007	-	342	-	45,249	73,623	-	8,525	-	-	-	171,744	97,466	74,279
POLESINE	490,863	-	-	-	-	150,460	-	70,135	-	-	-	711,458	434,613	276,845
PONTETARO	754,182	-	19,513	3,367	66,243	93,310	26,289	116,981	-	-	-	1,079,883	566,489	513,395

ROCCABIANCA	771,806	-	-	-	-	241,824	-	17,912	-	-	-	1,031,541	563,454	468,087
SALA BAGANZA	87,452	-	46,459	6,907	72,054	323,203	-	59,315	-	-	-	595,390	228,729	366,661
SALSOMAGGIORE	1,607,094	-	60,047	41,818	338,509	424,119	-	16,718	-	-	-	2,488,305	1,368,565	1,119,740
S.MARIA DEL TARO	63,398	-	3,146	-	58,320	100,472	-	10,200	-	-	-	235,536	140,043	95,494
S.SECONDO	439,117	-	145	-	105,674	392,743	-	71,430	-	-	-	1,009,108	470,550	538,558
S.ANDREA BAGNI	211,545	-	1,859	-	-	129,517	-	5,253	-	-	-	348,174	224,079	124,095
SISSA	554,176	-	3,353	7,578	-	159,671	-	27,414	-	-	-	752,193	343,755	408,438
SOLIGNANO	36,248	-	4,209	5,424	51,082	97,942	-	9,218	-	-	-	204,123	119,229	84,894
SORAGNA	247,913	-	18,533	17,254	67,759	177,224	-	39,340	-	-	-	568,023	284,023	283,999
SORBOLO	1,347,054	-	-	-	-	651,020	-	62,444	-	-	-	2,060,517	1,360,217	700,300
SUZZARA	1,040,682	-	-	-	-	539,476	-	18,414	-	-	-	1,598,572	1,059,767	538,805
TABIANO TERME	68,799	-	757	19,119	85,501	132,004	-	16,618	-	-	-	322,800	203,173	119,627
TRAVERSETOLO	1,297,683	-	23,043	8,221	72,176	259,432	-	84,935	-	-	-	1,745,489	777,714	967,775
ZIBELLO	204,556	-	136	-	98,960	278,852	-	6,056	-	-	-	588,560	335,124	253,436
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	474,559	485,755
AGENZIA DI CITTÀ N. 5	4,154,727	-	-	-	-	2,518	-	-	-	-	-	4,157,245	2,254,599	1,902,646
LANGHIRANO AGENZIA 3	406,312	-	-	-	-	138	-	-	-	-	-	406,449	263,317	143,133
VIA MISTRALI 1/3 - PARMA	4,856,769	-	369,753	377,014	1,508,925	-	897,799	2,460,915	-	-	-	10,471,175	4,241,621	6,229,555
B.GO S. AMBROGIO 3/5/7 - PARMA	1,703,080	-	-	-	140,699	-	1,050,126	295,927	-	-	-	3,189,833	1,595,382	1,594,450
VIA EMILIO LEPIDO, 12/A - PARMA	1,148,178	-	-	-	179,927	-	498,958	177,237	-	-	-	2,004,300	1,189,767	814,533
PIAZZA DEL POPOLO, 22 - LANGHIRANO	57,180	-	34,618	15,494	162,684	-	255,039	217,764	-	-	-	742,779	398,603	344,176
PIAZZA MIODINI, 2 - FELINO	816,375	-	35,969	10,329	87,798	-	301,908	220,281	-	-	-	1,472,660	722,617	750,042
PIAZZA GRAMSCI, 24 - SALA BA-GANZA	576,132	-	15,749	-	235,765	-	670,239	14,659	-	-	-	1,512,545	790,685	721,860
STRADA PER BUSSETO, 135 - FONTEVIVO	283,298	-	11,927	20,658	103,291	-	350,998	299,492	-	-	-	1,069,664	475,450	594,214
STRADA PROVINCIALE, 59 - FONTANELLE	84,888	-	9,533	2,582	45,448	-	151,905	63,487	-	-	-	357,844	197,472	160,372
VIA M. LIBERTÀ, 322 - MEZZANI	32,302	-	5,127	5,210	38,218	-	65,506	53,984	-	-	-	200,348	133,137	67,211
VIA LA SPEZIA, 8 - COLLECCHIO	807,700	-	-	-	73,636	-	59,469	641,640	-	-	-	1,582,444	878,192	704,252
LAGRIMONE	172,191	-	-	-	-	-	99,980	-	-	-	-	272,171	235,372	36,799
STRADA ASOLANA, 128 - S. POLO TORRI	834,692	-	-	-	-	-	-	11,996	-	-	-	846,688	396,700	449,987
VIA GRAMSCI, 13 - PARMA	555,871	-	-	-	-	-	436,369	70,280	-	-	-	1,062,521	594,797	467,724
VIA MACALLÈ 11 - AGAZZANO	147,426	-	-	-	72,046	53,139	-	27,352	-	-	-	299,963	95,815	204,148
VIA EMILIA OVEST 18 - ALSENO	376,537	-	-	-	51,646	108,998	-	47,211	-	-	-	584,392	271,279	313,113
PIAZZA COLOMBO 11 - BETTOLA	101,937	-	-	-	61,975	134,658	-	27,484	-	-	-	326,054	182,804	143,250
PIAZZA S.FRANCESCO 11/A - BOBBIO	279,757	-	-	-	43,608	112,497	-	20,969	-	-	-	456,830	250,838	205,993
VIA ROMA 23 - BORGONOVO VAL TIDONE	461,737	-	-	-	56,810	87,567	-	31,598	-	-	-	637,713	299,911	337,802
VIA EMILIA PARMENSE 146 - CADEO LOC	477,176	-	-	-	-	16,673	-	102,983	-	-	-	596,833	342,275	254,558
PIAZZA BERGAMASCHI 4 - CALENDASCO	289,091	-	-	-	-	36,431	-	41,650	-	-	-	367,172	144,274	222,897
VIA ROMA 8 - CAORSO	333,168	-	-	-	98,127	101,462	-	41,257	-	-	-	574,013	262,704	311,309
GALLERIA BRAGHIERI 1 - CASTEL S.GIO	687,245	-	-	-	171,844	413,391	-	88,751	-	-	-	1,361,231	707,434	653,798
VIA CAVOUR 1/A - CORTEMAGGIORE	269,434	-	-	-	77,469	87,409	-	35,055	-	-	-	469,367	212,101	257,265
VIA DEL CONSORZIO 7 - FERRIERE	172,784	-	-	-	-	4,523	-	53,147	-	-	-	230,454	167,976	62,478
CORSO GARIBALDI 120 - FIORENZUOLA D	620,870	-	-	-	135,487	183,413	-	114,352	-	-	-	1,054,121	423,749	630,372

VIA ROMA 63 - GRAGNANO TREBBIENSE	298,660	-	-	-	41,317	23,034	-	29,569	-	-	-	392,580	193,306	199,274
P.ZZA CASTELLANA 22 - LUGAGNANO VAL	756,011	-	-	-	65,107	28,660	-	26,297	-	-	-	876,076	354,221	521,855
VIA MARTIRI LIBERTÀ 35 - MONTICELL	488,902	-	-	-	-	-	-	69,145	-	-	-	558,047	313,733	244,314
PIAZZA INZANI - MORFASSO	189,384	-	-	-	-	-	-	49,730	-	-	-	239,113	193,943	45,171
PIAZZA VITTORIA 25 - OTTONE	69,594	-	-	-	15,494	33,085	-	7,709	-	-	-	125,882	57,769	68,112
LARGO DAL VERME 3 - PIANELLO VAL TI	463,183	-	-	-	-	60,751	-	9,449	-	-	-	533,382	247,857	285,525
VIA MONTE GRAPPA 49 - PODENZANO	499,222	-	-	-	67,139	115,376	-	70,923	-	-	-	752,660	402,099	350,561
VIA VITTORIO VENETO 90 - PONTE DELL	503,405	-	-	-	-	172,170	-	99,830	-	-	-	775,405	394,840	380,565
PIAZZA TRE MARTIRI 11 - PONTENURE	726,695	-	-	-	-	-	-	68,083	-	-	-	794,779	472,175	322,604
VIA EMILIA EST 33 - ROTTOFRENO	47,391	-	-	-	56,810	61,128	-	24,581	-	-	-	189,910	112,974	76,936
VIA ANGUISSOLA 4 - TRAVO	255,953	-	-	-	-	1,640	-	38,548	-	-	-	296,141	156,391	139,750
VIA MORO 4 - VILLANOVA SULL'ARDA	394,324	-	-	-	-	57,044	-	71,327	-	-	-	522,695	223,334	299,360
VIA ZIANO 9 - VICOBARONE DI ZIANO P	48,378	-	-	-	15,494	14,084	-	8,451	-	-	-	86,408	54,587	31,821
VIA ROMA 175 - ZIANO PIACENTINO	69,449	-	-	-	20,658	45,381	-	8,838	-	-	-	144,327	77,342	66,985
VIA POGGIALI 18 - PIACENZA	4,325,816	-	-	769,851	1,567,362	5,788,954	-	1,952,811	-	-	-	14,404,794	5,404,458	9,000,335
VIA COLOMBO 101 - PIACENZA	1,264,827	-	-	-	-	195,554	-	196,597	-	-	-	1,656,979	845,945	811,033
VIALE DANTE ALIGHIERI 14 - PIACENZA	1,668,430	-	-	-	-	426,870	-	215,624	-	-	-	2,310,924	1,192,284	1,118,640
PIAZZA CAIROLI 3 - CODOGNO	1,303,851	-	-	-	-	171,309	-	217,624	-	-	-	1,692,784	1,105,263	587,521
CORSO MILANO 65 - VIGEVANO	260,099	-	-	7,230	-	163,008	-	17,382	-	-	-	447,720	229,762	217,958
PIAZZA VOLTA 4 - VIGEVANO	352,174	-	-	15,494	-	270,714	-	11,718	-	-	-	650,100	253,642	396,458
PIAZZA DUCALE 43 - VIGEVANO	1,828,905	-	-	129,114	1,077,258	1,004,817	-	417,537	-	-	-	4,457,631	1,299,300	3,158,331
VIA LAVATELLI 32 - CASSOLNOVO	402,239	-	-	10,329	-	91,583	-	21,130	-	-	-	525,281	228,253	297,028
VIA COTTA 2 - GAMBOLO'	416,272	-	-	10,329	-	94,165	-	4,474	-	-	-	525,240	277,139	248,100
VIA XXV APRILE 17 - PARONA	141,905	-	-	-	-	75,689	-	12,941	-	-	-	230,535	104,618	125,916
PIAZZA CAMPEGI 2 - TROMELLO	466,710	-	-	-	-	78,092	-	17,078	-	-	-	561,879	214,160	347,720
VIALE CAMPARI 12 - PAVIA	661,928	-	-	-	-	22,047	-	32,726	-	-	-	716,700	423,643	293,057
VALENZA	369,825	-	-	55,996	250,688	-	-	90,441	853,142	-	-	1,620,091	835,776	784,315
VINOVO	511,557	-	-	-	-	-	-	20,734	148,416	-	-	680,707	369,235	311,472
VIA ARMORARI 4 - MILANO	10,520,671	-	1,313,331	-	7,266,549	-	-	19,847,235	7,308,423	-	-	46,256,209	12,023,419	34,232,790
VIA ARMORARI 8 - MILANO	4,961,850	-	-	-	-	-	-	7,164,345	5,498,307	-	-	17,624,501	4,625,701	12,998,800
VIA FARINI 82 - MILANO	2,745,189	-	-	-	-	-	-	932,758	278,224	-	-	3,956,170	3,060,439	895,732
P.ZZA FRATTINI 19 - MILANO	613,149	-	81,632	-	371,849	-	-	543,908	268,264	-	-	1,878,803	1,163,806	714,997
VIA MUSSI 4 - MILANO	561,546	-	92,969	-	291,282	-	-	439,674	275,121	-	-	1,660,592	1,024,177	636,415
VIA PISTRUCCI 25 - MILANO	706,384	-	41,673	-	127,048	-	-	258,173	351,453	-	-	1,484,732	811,933	672,799
VIA RIPAMONTI 177 - MILANO	581,284	-	103,421	-	335,697	-	-	381,513	161,503	-	-	1,563,418	998,543	564,874
P.ZZA VELASCA 4 - MILANO	590,720	-	191,991	-	192,122	-	-	433,140	889,114	-	-	2,297,086	1,424,967	872,119
CORSO MAZZINI 2 - CREMONA	2,047,775	25,087	350,772	-	2,076,157	-	-	1,870,791	803,837	-	-	7,174,419	3,119,954	4,054,465
VIA CAVOUR 40/42 - CASALMAGGIORE	278,021	2,359	22,273	-	-	-	-	36,030	292,244	-	-	630,927	313,906	317,021

P.ZZA MUNICIPIO 3-9-11 - CASTELVERD	59,476	-	5,526	-	-	-	-	17,998	94,559	-	-	177,558	102,949	74,609
VIA GIUSEPPINA 152 - CINGIA DÈBOTT	9,619	429	5,941	-	-	-	-	12,612	74,914	-	-	103,516	64,927	38,589
P.ZZA VITT.VENETO 4 - 6 - CORTE DÈ	138,546	-	713	-	-	-	-	7,370	47,582	-	-	194,210	90,338	103,872
VIA MAZZINI 8 - GRUMELLO CREMONESE	156,931	59	2,644	-	-	-	-	9,162	66,174	-	-	234,970	92,097	142,873
VIA ROMA 8 - GUSSOLA	57,627	-	7,753	-	-	-	-	58,355	51,318	-	-	175,052	121,541	53,511
VIA ROMA 1 - PIEVE D'OLMI	16,523	-	12,488	-	-	-	-	21,534	48,712	-	-	99,258	64,736	34,522
LARGO DELLA VITTORIA 7 - PIZZIGHETT	469,794	-	-	-	178,694	-	-	99,878	20,092	-	-	768,458	433,490	334,968
VIA DELLA LIBERTÀ 10-16 - RIVAROLO	394,579	-	1,600	-	-	-	-	90,021	14,886	-	-	501,086	372,492	128,594
VIA MARTIRI LIBERTÀ 48-50 - ROBECC	138,623	948	8,786	-	-	-	-	15,957	81,443	-	-	245,757	88,329	157,428
VIA GIUSEPPINA 15-17 - S.GIO-VANNI I	639,232	664	3,813	-	-	-	-	11,034	54,843	-	-	709,585	361,695	347,891
V.LE G.MATTEOTTI 6-8 - SESTO CREMON	112,536	508	3,370	-	-	-	-	12,890	76,972	-	-	206,277	95,426	110,851
VIA GARIBALDI 2 - VESCOVATO	18,823	48	12,183	-	-	-	-	17,887	100,177	-	-	149,117	90,144	58,972
VIA MARSALA 18 - LODI	680,930	4,127	113,691	-	-	-	-	259,762	1,051,150	-	-	2,109,661	1,213,992	895,669
LARGO CASALI 31 - CASALPUSTER-LENGO	829,097	-	-	-	211,740	-	-	409,979	266,529	-	-	1,717,344	1,197,641	519,703
VIA ROMA 5 - S.GIULIANO MILANESE	759,784	-	43,900	-	232,406	-	-	369,534	73,368	-	-	1,478,993	850,049	628,943
P.ZZA DEI CADUTI 10 - SANT'ANGELO L	913,952	1,411	13,012	-	-	-	-	66,702	8,769	-	-	1,003,845	417,957	585,888
VIA I. NIEVO 18/ VIA OBERDAN - MANTO	4,764,118	-	-	-	-	-	-	1,560,197	321,766	-	-	6,646,081	5,490,933	1,155,148
P.ZZA XX SETTEMBRE 23 - ASOLA	340,960	1,501	19,641	-	-	-	-	66,395	227,909	-	-	656,407	266,061	390,346
VIA G. MATTEOTTI 18 - CASTELLUCCHIO	649,682	-	-	-	-	-	-	226,505	49,464	-	-	925,652	669,379	256,273
VIA XXV APRILE 1 - MARMIROLO	165,914	-	10,252	-	-	-	-	78,068	61,702	-	-	315,935	203,489	112,446
VIA PIAVE 18-20 - OSTIGLIA	119,895	-	-	-	-	-	-	54,938	77,867	-	-	252,701	144,654	108,047
VIA CUSTOZA 124 - ROVERBELLA	222,438	-	14,949	-	-	-	-	22,589	155,423	-	-	415,400	171,049	244,351
P.ZZA DEL LINO 4 - PAVIA	1,122,034	3,079	92,263	-	481,035	-	-	941,760	217,178	-	-	2,857,349	2,076,365	780,984
VIA VITT.VENETO 2 - BELGIOIOSO	178,132	1,151	11,204	-	-	-	-	21,180	229,336	-	-	441,002	219,732	221,270
VIA EMILIA 371 - BRONI	877,172	-	-	-	328,983	-	-	300,316	50,149	-	-	1,556,619	995,564	561,056
V.LE CERTOSA 78 - CERTOSA DI PAVIA	496,776	-	4,692	-	120,851	-	-	82,275	28,618	-	-	733,212	345,153	388,059
VIA CARDINAL MAFFI 2 - CORTEOLONA	47,714	-	9,608	-	-	-	-	20,950	74,440	-	-	152,711	94,640	58,071
VIA ROMA 24 - PIEVE PORTO MORONE	159,526	-	-	-	-	-	-	53,937	84,966	-	-	298,429	173,310	125,119
VIA G. MATTEOTTI 26/28 - CREMA	758,467	4,822	56,297	-	298,140	-	-	628,944	257,319	-	-	2,003,989	1,180,573	823,416
P.ZZA GARIBALDI 3 - ANNICCO	131,986	1,176	3,176	-	-	-	-	52,652	67,277	-	-	256,269	135,700	120,569
P.ZZA DELLA LIBERTÀ 21 - CASALBUTT	78,557	506	31,536	-	-	-	-	57,722	100,940	-	-	269,261	165,777	103,484
P.ZZA DELLA LIBERTÀ 6 - PADERNO PO	70,137	-	4,106	-	-	-	-	14,653	84,481	-	-	173,377	94,042	79,335
VIA MILANO 20-22 - PANDINO	466,329	1,731	27,915	-	-	-	-	66,462	159,407	-	-	721,844	237,127	484,716
VIA G. VEZZOLI 2 - ROMANENGO	760,174	795	12,932	-	-	-	-	21,601	110,278	-	-	905,780	347,767	558,013

VIA F. GENALA 17 - SORESINA	481,545	830	35,251	-	-	-	-	97,091	382,504	-	-	997,222	464,980	532,242
VIA ROMA 73 - TRIGOLO	87,458	129	8,539	-	-	-	-	14,433	61,857	-	-	172,415	79,898	92,517
IFIC- ASILO NIDO AZIENDALE-C/ OCAVAGNARI	2,330,007	-	-	-	-	271,083	-	48,005	-	-	-	2,649,095	511,592	2,137,503
SAN MINIATO - VIA IV NOV., 45	5,233,228	-	-	-	-	-	-	-	-	-	2,349,773	7,583,000	4,268,404	3,314,597
SAN MINIATO - VIA C. BATT.,45	302,318	316,447	-	-	-	-	-	-	-	14,129	-	316,447	41,996	274,451
CASTELFRANCO DI SOTTO - VIA PETRAR	22,817	-	-	-	-	-	-	-	-	1,984	-	24,801	2,826	21,975
PISA - VIA G. MAZZINI, 3	379,040	-	-	-	-	-	-	-	-	32,960	-	412,000	46,944	365,056
SANTA CROCE SULL'ARNO - VIA MAINAR	132,957	-	-	-	-	-	-	-	-	8,400	-	141,357	15,078	126,279
SAN MINIATO PIAZZA BON	1,697,150	-	-	-	-	-	-	-	-	180,242	-	1,877,392	142,217	1,735,175
SAN MINIATO - PIAZZA DEL POP.2	14,046	-	-	-	-	-	-	-	-	2,014	-	16,060	3,590	12,470
CAPANNOLI - VIA VOLTERRANA,149	3,887	-	-	-	-	-	-	-	-	2,118	-	6,006	385	5,620
FUCECCHIO - VIALE B.BUOZZI,130	596,393	-	-	-	-	-	-	-	-	373,900	-	970,293	170,808	799,485
LIVORNO - PIAZZA DANTE, 8	259,633	-	-	-	-	-	-	-	-	2,006	-	261,639	77,889	183,750
SAN MINIATO - FRAZ. LA SCALA -PIAZZALE T	56,425	-	-	-	-	-	-	-	-	3,912	-	60,337	13,452	46,884
CAPANNOLI - VIA VOLTERRANA, 14	273,070	-	-	-	-	-	-	-	-	9,200	-	282,270	58,432	223,838
CASTELFRANCO DI SOTTO VIA CALATA	992,166	-	-	-	-	-	-	-	-	6,973	-	999,139	191,858	807,282
EMPOLI - FRAZ. PONTE A ELSA VIA SENESE	676,171	-	-	-	-	-	-	-	-	7,800	-	683,970	104,968	579,003
MONTOPOLI VALDARNO VIA SAN GI	234,828	-	-	-	-	-	-	-	-	3,959	-	238,786	50,414	188,372
MONTOPOLI VALDARNO SAN ROMANO	495,994	-	-	-	-	-	-	-	-	11,690	-	507,684	103,514	404,170
POGGIBONSI - VIALE MARCONI, 55	1,120,752	-	-	-	-	-	-	-	-	16,527	-	1,137,280	225,381	911,899
PONTEDERA - VIA 1° MAGGIO, 17	786,313	-	-	-	-	-	-	-	-	47,170	-	833,483	185,366	648,117
PONTEDERA - FRAZ. LA ROTTA PIAZZA G.	168,581	-	-	-	-	-	-	-	-	6,677	-	175,258	37,028	138,230
SANTA CROCE SULL'ARNO FRAZ. STAF	421,947	-	-	-	-	-	-	-	-	4,913	-	426,860	84,947	341,913
VINCI - VIA R. FUCINI, 31	470,184	-	-	-	-	-	-	-	-	6,758	-	476,942	98,404	378,538
MONTELUPO FIORENTINO VIA 1° MAG	543,877	-	-	-	-	-	-	-	-	16,061	-	559,938	97,136	462,802
EMPOLI - VIA CAVOUR, 37	1,693,231	-	-	-	-	-	-	-	-	87,894	-	1,781,125	372,970	1,408,154
SAN MINIATO - VIA IV NOVEMBRE ANGOLO VIA	4,262,328	-	-	-	-	-	-	-	-	450,703	-	4,713,031	1,009,085	3,703,946
SAN MINIATO - FRAZ. SAN MINIATVIALE G. M	849,106	-	-	-	-	-	-	-	-	3,741	-	852,847	178,384	674,462
SAN MINIATO - FRAZ. PONTE A EGVIA C. PIS	648,366	-	-	-	-	-	-	-	-	48,006	-	696,372	122,662	573,710
SANTA CROCE SULL'ARNO PIAZZA DEL	2,023,713	-	-	-	-	-	-	-	-	109,129	-	2,132,842	378,564	1,754,279
PONSACCO PIAZZA DEL	944,221	-	-	-	-	-	-	-	-	32,658	-	976,879	197,066	779,813
CASTELFIORENTINO PIAZZA KEN	478,919	-	-	-	-	-	-	-	-	14,609	-	493,528	108,600	384,928
CERRETO GUIDI VIA DEI FO	303,737	-	-	-	-	-	-	-	-	4,601	-	308,338	66,860	241,479
VINCI - FRAZ. SPICCHIO/SOVIGLI VIA TOGLIA	1,086,671	-	-	-	-	-	-	-	-	33,544	-	1,120,215	242,586	877,629
PISA - LUNGARNO GAMBACORTI, 21	1,387,968	-	-	-	-	-	-	-	-	55,531	-	1,443,498	286,338	1,157,161

PALAIA - VIA A. DI MINO, 7	212,581	-	-	-	-	-	-	-	-	29,687	-	242,268	51,186	191,082
SANTA MARIA A MONTE VIA DELLE G	626,512	-	-	-	-	-	-	-	-	15,529	-	642,041	98,398	543,643
FIRENZE - VIA DÈ RONDINELLI,4	6,884,746	-	-	-	-	-	-	-	-	1,738,055	-	8,622,801	1,825,389	6,797,413
SAN MINIATO - PIAZZA GRIFONI,	446,640	-	-	-	-	-	-	-	-	157,423	-	604,063	79,995	524,067
CAPANNOLI - VIA VOLTERRANA,149	11,968	-	-	-	-	-	-	-	-	602	-	12,570	1,737	10,833
CERRETO GUIDI - FRAZ. STABBIA VIA BERCIL	413,634	-	-	-	-	-	-	-	-	2,413	-	416,047	82,344	333,703
SANTA CROCE SULL'ARNO VIA PROVIN	519,050	-	-	-	-	-	-	-	-	7,336	-	526,386	104,051	422,335
SAN MINIATO - VIA IV NOV.,46	84,756	-	-	-	-	-	-	-	-	95,244	-	180,000	7,062	172,938
SAN MINIATO - PIAZZA DEL POP.1	90,997	-	-	-	-	-	-	-	-	72,103	-	163,100	6,130	156,970
SAN MINIATO - PIAZZA XX SET.21	115,000	-	-	-	-	-	-	-	-	10,000	-	125,000	4,167	120,833
SAN MINIATO - VIA ROMA, 5	187,889	-	-	-	-	-	-	-	-	76,111	-	264,000	9,375	254,625
SAN MINIATO VIA DELLA	14,401	-	-	-	-	-	-	-	-	25,599	-	40,000	1,473	38,527
SAN MINIATO - FRAZ. SAN MINIATVIALE G. M	7,233	-	-	-	-	-	-	-	-	57,597	-	64,830	1,253	63,577
SAN MINIATO - FRAZ. LA SCALA PIAZZALE T	59,754	-	-	-	-	-	-	-	-	25,413	-	85,167	2,958	82,209
PONSACCO - VIA N. SAURO, 2 ANGOLO VIA	499,784	-	-	-	-	-	-	-	-	81,113	-	580,897	22,532	558,365
SANTA CROCE SULL'ARNO PIAZZA G.	478,137	-	-	-	-	-	-	-	-	51,863	-	530,000	19,742	510,258
SAN MINIATO - VIA FONTEVIVO (PALAZZETT	908,368	-	-	-	-	-	-	-	-	36,572	-	944,940	25,206	919,735
SAN MINIATO - PIAZZA BONAPARTE15	195,010	-	-	-	-	-	-	-	-	74,990	-	270,000	7,296	262,704
BELLARIA IGEA MARINA - VIALE P	1,585,335	-	-	-	-	-	-	-	-	-	-	1,585,335	301,363	1,283,971
BELLARIA IGEA MARINA - VIA MAR	1,936,811	-	-	-	-	-	-	-	-	-	-	1,936,811	233,165	1,703,646
BOLOGNA - VIA DE NICOLA 1 (FIL	492,214	-	-	-	-	-	-	-	-	-	-	492,214	70,600	421,614
BOLOGNA - VIA AMENDOLA 11 - FO	701,625	-	-	-	-	-	-	-	-	-	-	701,625	196,573	505,052
CASTENASO (BO) - PIAZZA MARIA	524,167	-	-	-	-	-	-	-	-	-	-	524,167	79,814	444,353
CATTOLICA - VIA BOVIO 45 - FO	4,590,870	-	-	-	-	-	-	-	-	-	-	4,590,870	734,565	3,856,306
CORIANO - VIA STATALE SAN MARI	2,387,592	-	-	-	-	-	-	-	-	-	-	2,387,592	477,030	1,910,562
CESENA - VIALE OBERDAN N.642 -	592,107	-	-	-	-	-	-	-	-	-	-	592,107	95,315	496,792
CORIANO - PIAZZA DON MINZONI 1	672,587	-	-	-	-	-	-	-	-	-	-	672,587	100,592	571,995
FALCONARA MARITTIMA - VIA FLAM	328,583	-	-	-	-	-	-	-	-	-	-	328,583	75,909	252,674
GRADARA - VIA BOLOGNA N.1/A -	209,631	-	-	-	-	-	-	-	-	-	-	209,631	54,140	155,492
RIMINI - VIA CORIANO 58 - FOGL	820,308	-	-	-	-	-	-	-	-	-	-	820,308	174,902	645,407
MELDOLA - VIA SILVIO PELLICO 2	119,951	-	-	-	-	-	-	-	-	-	-	119,951	24,855	95,096
MISANO ADRIATICO - VIA DELLA R	1,702,265	-	-	-	-	-	-	-	-	-	-	1,702,265	232,016	1,470,248
MISANO ADRIATICO - VIALE SICIL	307,200	-	-	-	-	-	-	-	-	-	-	307,200	61,431	245,769
MONTESCUDO - VIA BORGO PANDOLF	381,256	-	-	-	-	-	-	-	-	-	-	381,256	74,441	306,815
MORCIANO DI ROMAGNA - VIA BUCC	1,138,940	-	-	-	-	-	-	-	-	-	-	1,138,940	130,507	1,008,434

OSIMO - VIA MARCO POLO 196/198	302,570	-	-	-	-	-	-	-	-	-	-	302,570	46,490	256,080
RICCIONE - VIALE EMPOLI - FOG	798,002	-	-	-	-	-	-	-	-	-	-	798,002	102,973	695,029
RICCIONE - VIA GIULIO CESARE 1	756,408	-	-	-	-	-	-	-	-	-	-	756,408	132,298	624,110
RICCIONE - VIA DANTE 249 - FOG	5,157,119	-	-	-	-	-	-	-	-	-	-	5,157,119	499,845	4,657,275
RICCIONE - VIALE DANTE ALIGHIE	11,848,580	-	-	-	-	-	-	-	-	-	-	11,848,580	1,138,596	10,709,984
RICCIONE - VIA FRATELLI CERVI	4,222,417	-	-	-	-	-	-	-	-	-	-	4,222,417	478,794	3,743,623
RIMINI - VIA APONIA 1/VIA DANT	9,012,312	-	-	-	-	-	-	-	-	-	-	9,012,312	1,478,439	7,533,873
RIMINI - PIAZZA MARVELLI 8/V.L	6,746,574	-	-	-	-	-	-	-	-	-	-	6,746,574	683,700	6,062,874
RIMINI - VIA PRINC. DI PIEMONTE	4,197,284	-	-	-	-	-	-	-	-	-	-	4,197,284	571,038	3,626,246
RIMINI - CORSO D'AUGUSTO 62 -	7,025,478	-	-	-	-	-	-	-	-	-	-	7,025,478	520,923	6,504,555
RIMINI - VIA COLETTI 49 - FOGL	1,009,457	-	-	-	-	-	-	-	-	-	-	1,009,457	208,286	801,172
RIMINI - PIAZZA FERRARI 15 - F	24,638,972	-	-	-	-	-	-	-	-	-	-	24,638,972	1,885,106	22,753,867
RIMINI - VIA FLAMINIA CONCA 6	2,067,114	-	-	-	-	-	-	-	-	-	-	2,067,114	406,442	1,660,673
RIMINI - VIALE REGINA ELENA 12	364,446	-	-	-	-	-	-	-	-	-	-	364,446	81,972	282,474
RIMINI - VIALE DATI 168 - FOGL	2,734,726	-	-	-	-	-	-	-	-	-	-	2,734,726	466,976	2,267,750
RIMINI - VIA MARECCHIESE 32 -	1,965,589	-	-	-	-	-	-	-	-	-	-	1,965,589	248,153	1,717,436
ROMA PRATI FIS-CALI - VIA DI VA	483,281	-	-	-	-	-	-	-	-	-	-	483,281	113,837	369,444
SAN COSTANZO - VIA SALVO D'ACQ	542,428	-	-	-	-	-	-	-	-	-	-	542,428	183,502	358,927
SAN GIOVANNI IN MARIGNANO - PI	1,811,194	-	-	-	-	-	-	-	-	-	-	1,811,194	313,224	1,497,970
SANTARCANGELO DI ROMAGNA - PIA	4,857,289	-	-	-	-	-	-	-	-	-	-	4,857,289	516,777	4,340,511
VERUCCHIO - PIAZZA MALATESTA 1	995,911	-	-	-	-	-	-	-	-	-	-	995,911	161,925	833,986
VERUCCHIO (FRAZ. VILLA) - PIAZ	1,845,965	-	-	-	-	-	-	-	-	-	-	1,845,965	276,461	1,569,504
VERUCCHIO - LOC. VILLA SS MAR	4,380,527	-	-	-	-	-	-	-	-	-	-	4,380,527	973,837	3,406,690
TOTAL ASSETS REVALUED	**361,034,120**	**367,809**	**4,814,723**	**1,903,488**	**26,058,963**	**62,536,667**	**5,210,276**	**55,452,119**	**22,062,416**	**4,157,460**	**2,349,773**	**545,631,366**	**181,837,176**	**363,794,190**

DESCRIPTION	Book value net of revaluations	L.11.2.62 N.74	L.19.2.73 n.823	L.2.12.75 n.576	L. 19.3.83 n.72	L.30.7.90 n.218	L.29.12.90 n.408	L.30.12.91 n.413	Merger '94	L.185/08	Deemid cost	Total Cost	Accumulated depreciation as at 31 Dec. 2018	Net book value as at 31 Dec. 2018
MOBILIO E ARREDAMENTI	40,298	-	3,304	18,654	-	-	-	-	-	-	-	62,256	62,256	-
MACCHINARI	136,294	-	1,584	10,554	-	-	-	-	-	-	-	148,432	148,432	-
Total Assets revalued	**176,592**	**-**	**4,888**	**29,208**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**210,688**	**210,688**	**-**

EQUITY INVESTMENTS ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	Book value net of revaluations	L. 30.7.90 n. 218	Impairment	Valuation OCINR/FVOBL	Total cost	Net book value as at 31 Dec. 2018
CASSA RISPARMIO VOLTERRA	7,116,003	-	-		7,116,003	7,116,003
CA CARISPEZIA	295,376,055	-	-		295,376,055	295,376,055
CA FRIULADRIA	1,019,875,664	-	- 108,158,006		911,717,658	911,717,658
FIERE DI PARMA	20,483,198	- 416,050	-		20,067,148	20,483,198
S.GENESIO IMM.RE ORD	-	-	-		-	-
CARICE IMMOBILIARE	100,063	-	-		100,063	100,063
CA GROUP SOLUTIONS	34,640,000	-	-		34,640,000	34,640,000
NUOVA MADONNINA ORD	-	-	-		-	-
MONDOMUTUI CARIPARMA	2,280	-	-		2,280	2,280
CALIT SRL	146,300,000	-	- 47,133,000		99,167,000	99,167,000
SLIDERS SRL	1,290,000	-	- 1,290,000		-	-
CA ITALIA OBG SRL	6,000	-	-		6,000	6,000
UNIBANCA IMMOBILIARE	100,000	-	-		100,000	100,000
SOC.AGRIC.LE CICOGNE	2,221,209	-	-		2,221,209	2,221,209
LE VILLAGE BY CA MILANO	155,656	-	-		155,656	155,656
ITALSTOCK SRL	10,000	-	-		10,000	10,000
CAREI	300,000	-	-		300,000	300,000
VISA USD	-	-		-	-	-
VISA PRI	259,564	-		53,787	259,564	313,350
SAIRGROUP CHF	-	-		-	-	-
KAUP THING EHF ORD	-	-		-	-	-
FIDI TOSCANA	2,549,057	-		- 121,027	2,549,057	2,428,030
CEPIM	756,711	- 44,831		827,692	711,880	1,584,403
SAPIR	23,381	23,381		-	46,762	23,381
SOGEAP	78,124	- 38,911		-	39,213	78,124
AMFA AZ.ORD	33,568	-		-	33,568	33,568
CENTRO AGRO-ALIM RIM	405,002	-		- 13,682	405,002	391,319
MTS SPA N	86,915	-		- 39,967	86,915	46,948
RIMINI TERME SPA	18,076	-		-	18,076	18,076
EUTELIA	-	-		-	-	-
TERRE DELL'ETRURIA	349,902	-		- 347,460	349,902	2,442
S.I.C.I. SGR AOR 06	481,281	-		-	481,281	481,281
EDISON ORD	3,936	-		9,568	3,936	13,504
ITALIAN EXHIBITION G	345,779	-		- 149,655	345,779	196,123
COOPERARE	1,164,601	-		95,283	1,164,601	1,259,884
CENTROFIDI TERZIARIO	1,194,064	-		-	1,194,064	1,194,064
PIACENZA EXPO	989,628	94,063		- 33,123	1,083,691	956,505
SOCIETA' INFRASTRUTTURE TOSCANE	53,544	-		- 53,544	53,544	-
FAVENTIA SALES AOR	888,019	-		-	888,019	888,019
ECOFOR SERV ORD B	9,900	-		-	9,900	9,900
ROMAGNA ENERGIA AOR	2,000	-		32	2,000	2,032
LUGO IMMOBILIARE AOR	-	-		-	-	-
S.T.U. PIEVE 6 AOR	13,040	-		-	13,040	13,040
UNIPOLSAI ORD RA	15,445,574	-		- 2,558,505	15,445,574	12,887,069
COSTA EDUTAINMENT	-	-		-	-	-
BANCA D'ITALIA	195,350,000	-		-	195,350,000	195,350,000
SIR AOR	150,000	-		- 26,235	150,000	123,765
IRPLAST/SFP SVN	-	-		-	-	-

BANCOMAT-AZ ORD	1,770	-		54,332	1,770	56,102
SWIFT	131,809	678		138,761	132,487	270,570
CARRIER 1 INTL GER	-	-		-	-	-
STELLINA 10 SRL	1,900	-		-	1,900	1,900
CA INDOSUEZ FIDUCIAR	400,000	-		-	400,000	400,000
TARGETTI POULS SFPA	184,627	-		- 3	184,627	184,625
TARGETTI POULS SFPB	17,603	-		- 2	17,603	17,601
SCHEMA VOLONTARIO	10,602,428	-		-	10,602,428	10,602,428
RAETIA SGR SPA	-	-		-	-	0
TERREMERSE SCRL	1,549	-		-	1,549	1,549
LUGO NEXT LAB SRL	1,000	-		- 1,000	1,000	-
ESCO CRE SRL QUOTE	2,840	-		- 2,840	2,840	-
CONS AGR INTERPROV	196,232	-		-	196,232	196,232
COMP DEL SACRO CUORE	10,650	-		- 6,862	10,650	3,788
FOND FURIO FARABEGOL	20,000	-		- 20,000	20,000	-
MIC FOND MUSEO INTER	1	-		-	1	1
COSTA 14 SRL AOR	-	-		-	-	-
GRUPPO AZ. LOC. VALL	5,000	-		-	5,000	5,000
QUOTE NEW PALARICCIO	47,740	-		-	47,740	47,740
CONSORZIO CBI	-	-		-	-	-
TELDAFAX AG EURO	1	-		-	1	1
GLITNIR CONCORDATO	16,742	-		- 16,742	16,742	-
IMMOB.OASI NEL PARCO	3,514,557	-		-	3,514,557	3,514,557
AFFITTO FIRENZE SRL	-	-		-	-	-
CARICESE SRL	297,979	-		- 944	297,979	297,036
CONSORZIO CENTO PERC	-	-		-	-	-
NOVASIM SPA IN LIQ.	-	-		-	-	-
SINTESIS SRL	-	-		-	-	-
SUTOR MANTELLASSI HO	-	-		-	-	-
FRAER LEASING	5,211,315	-		12,224	5,211,315	5,223,539
C.A.P. PIACENZA	-	427		-	427	-
CAL CENTRO AGRO-ALIM	-	- 9,296		-	- 9,296	-
BCA POP PUGLIA B ORD	345,890	-		-	345,890	345,890
SOPRIP	-	1,033		-	1,033	-
CAP PAVIA	-	-		-	-	-
CATTLEYA S.R.L.	-	-		-	-	-
SFP FERROLI SPA	-	-		-	-	-
CONSORZIO AGR.PARMA	-	487,535		-	487,535	-
GLITNIR CONCORDATO	-	-		-	-	-
MOONLIGHT CINEMA E T	-	-		-	-	-
TOTAL	**1,769,737,053**	**98,030**	**- 156,581,006**	**- 2,199,911**	**1,613,254,077**	**1,610,956,137**

CONSOLIDATED
NON-FINANCIAL
STATEMENT

2018

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Methodological note and reading guide

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 2018 in compliance with D.Lgs 254/2016. The NFS of the Crédit Agricole Italia Banking Group, which has been prepared for the second year in a row, reports the Bank's activities as at 31 December 2018 and is a stand-alone document separated from the Management Report, but an integral part of the 2018 Annual Report and Financial Statements. The 2018 NFS, which updates the information contained in the 2017 one, reports information relating to environmental matters, social and employee-related matters, respect for human rights, anti-corruption and anti-bribery matters, as relevant in accordance with the features of the Group's entities, for full disclosure and reporting on them and on the resulting impacts[1].

Aspects referred on in D.Lgs. 254/2016	Tailoring on the Banking Group as to material topics	Minimum content required by D.Lgs 254/2016
Social aspects	Business performance and capital strength	Not specified by D.Lgs 254/2016
	Service quality and innovation	
	Responsible lending and access to credit	
	Support to businesses and to the agri-food sector	
	Proximity to Customers and Communities (proximity bank)	
	Involving the Communities	
Fight against active and passive corruption	Integrity in governance processes and in business management	Fight against active and passive corruption, setting forth also the tools used for this purpose
Respect for human rights	Aspect that is not directly relevant for the Crédit Agricole Italia Banking Group but that 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
Staff Management	Internal exchange of views, welfare and equal opportunities	Social aspects regarding staff management, actions implemented to ensure gender equality
	Work relationships and development of human resources	Social aspects regarding staff management, measures aimed at implementing international conventions and methods and procedures for exchange of views and interaction with Social Partners
Environment and health and safety aspects	Protection of the environment and promotion of the green economy	The use of energy resources distinguishing between those from renewable and non-renewable sources, and the use of water resources; emissions of greenhouse gases and polluting emissions in the atmosphere; the impact on the environment and on health and safety, where possible based on realistic assumptions or scenarios, also medium-term ones, or other environmental and health risk material factors

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. Performance results are annually monitored using the GRI Standards of the Global Reporting Initiative[2], and published every three years. The GRI Standards are reported along with the indicators contained in industry-specific supplement to the GRI-G4

1 See Article 3, paragraph 1

2 See Article 3 paragraph 5 The GRI Standards are the most widely used global standards for sustainability reporting.

Guidelines “G4-Financial Services Sector Disclosures”, which monitor the specific information on financial activities. With the new reporting cycle, the Crédit Agricole Italia Banking Group has shifted from the “GRI-Referenced” option to the “In accordance Core” option to report its non-financial information. 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 of the Consolidated Financial Statements[3], given on page 102 of the Note to the Consolidated Financial Statements.

In the 2018 NFS, the data and information collected and consolidated by the various corporate structures in charge of the specific matters have been reported extracting them from the Group’s information systems, invoices issued and internal and external reports, under the coordination of the Internal Communication and Corporate Social Responsibility (CSR) Division.

Where necessary and appropriate, references[4] have been made in the document 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 set forth 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 26 March 2019.

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.

3 See Article 4, paragraph 1

4 See Article 5, paragraph 4

The Crédit Agricole Group

No.1
BANCASSURER IN EUROPE

No.1
ASSET MANAGER IN EUROPE

No.1
GREEN SOCIAL AND SUSTAINABILITY BOND BOOKRUNNER

KEY FIGURES IN 2018

51 MILLION
CUSTOMERS

47
COUNTRIES

141,000
STAFF MEMBERS

6.8 BLN €
UNDERLYING NET INCOME

106.7 BLN €
EQUITY - GROUP SHARE

15%
FULLY LOADED CET 1 RATIO

RATING

S&P Global Ratings	Moody's	Fitch Ratings	DBRS
A+	A1	A+	AA (low)

The Crédit Agricole Group
in Italy

No.2
CONSUMER CREDIT PLAYER IN ITALY

No.3
ASSET MANAGER IN ITALY*

KEY FIGURES IN 2018

4 MILLION
CUSTOMERS

15,000
STAFF MEMBERS

793 MLN €
NET INCOME - GROUP

3,5 BLN €
SHARE NET OPERATING REVENUES

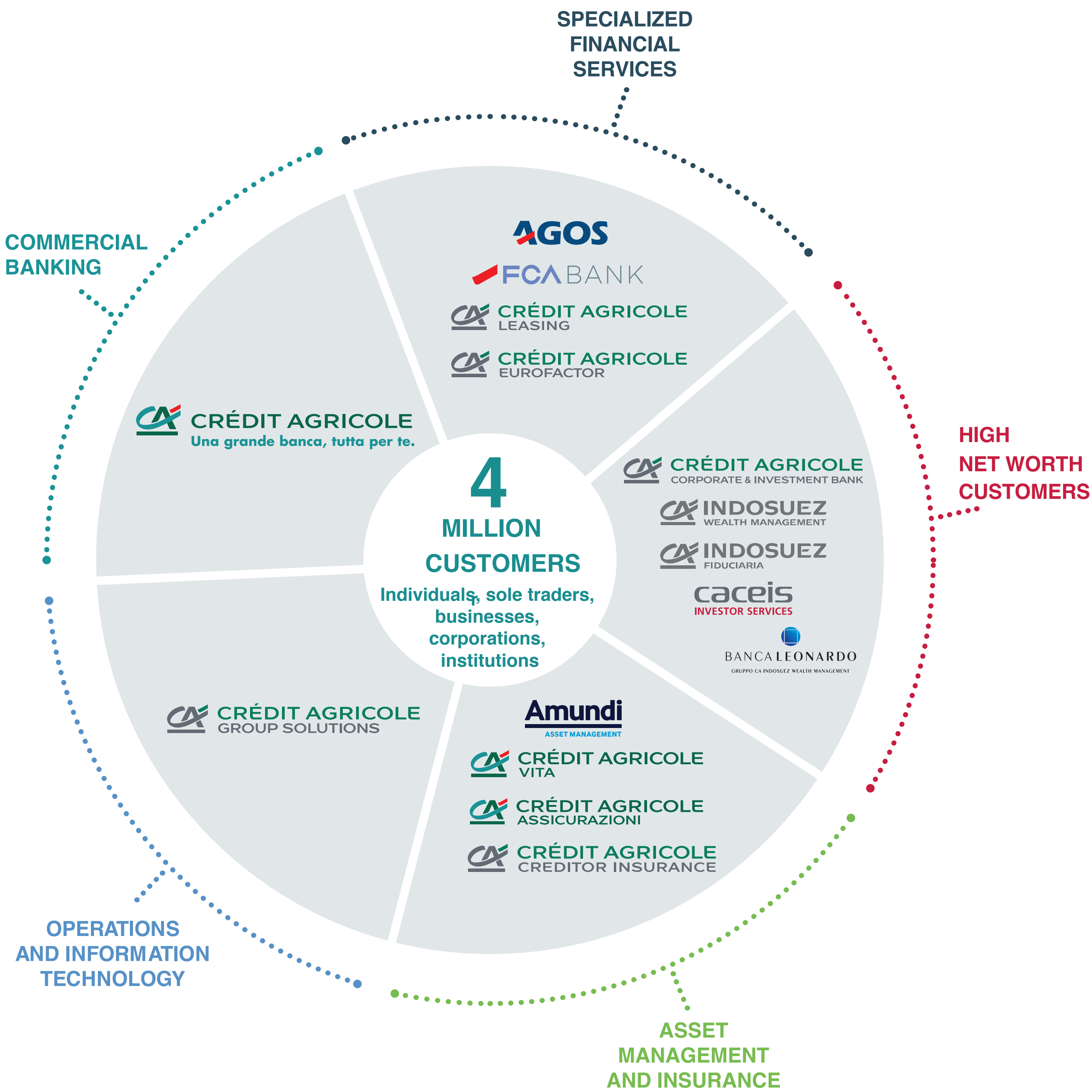
250 BLN €**
CUSTOMERS' DEPOSITS AND FUNDS UNDER MANAGEMENT

67 MLD €
LOANS TO CUSTOMERS

* Source: Assogestioni, "Mappa trimestrale del Risparmio Gestito", 3Q 2018. Data gross of duplications.

** Including "out-of-Group" Amundi AuM, CACEIS Assets under Custody

The Group's operations
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.

CRÉDIT AGRICOLE
Una grande banca, tutta per te.

RETAIL BANKING
984 BRANCHES AND 61 SMALL BUSINESS CENTERS

PRIVATE BANKING
25 MARKETS AND 12 SUB-CENTERS

CORPORATE BANKING
25 MARKETS AND 14 SUB-CENTERS, 1 LARGE CORPORATE

FINANCIAL ADVISORS
11 MARKETS

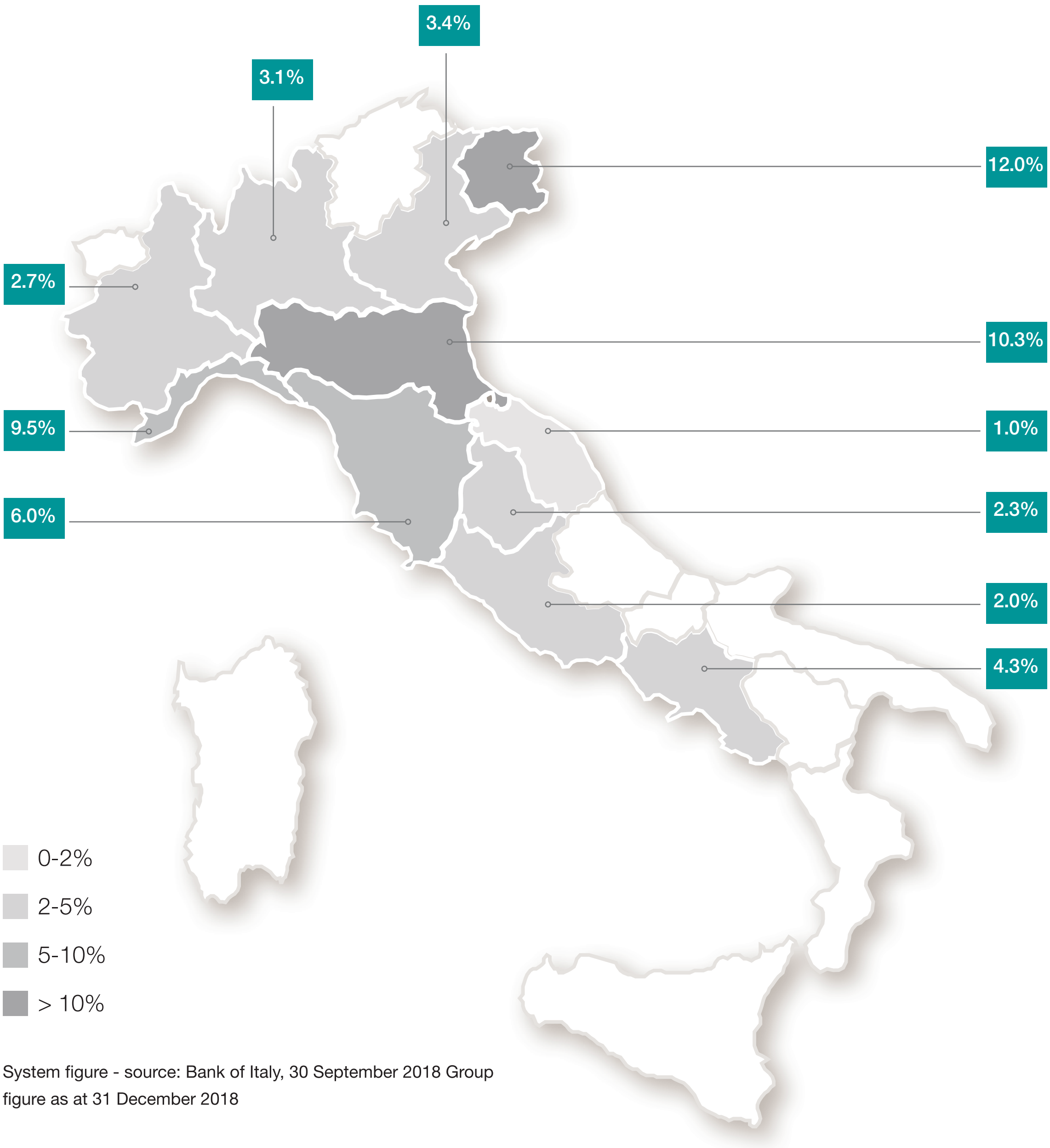
Market shares
by Region

OVER
2 MLN
CUSTOMERS

OVER
1,100
POINT OF SALE

APPROX.
10,000
STAFF MEMBERS

OVER
46 BLN €
TOTAL LOANS



System figure - source: Bank of Italy, 30 September 2018 Group figure as at 31 December 2018

CRÉDIT AGRICOLE CARIPARMA

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

827 POINT OF SALE

36.1 bln € WORTH OF LOANS

91.9 bln € WORTH OF TOTAL FUNDING

CRÉDIT AGRICOLE FRIULADRIA

In 2007, Crédit Agricole FriulAdria became part of the Group, with the objective of expanding its operations to cover the entire Triveneto Region. It has **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**.

207 POINT OF SALE

7.5 bln € WORTH OF LOANS

15.4 bln € WORTH OF TOTAL FUNDING

CRÉDIT AGRICOLE CARISPEZIA

Carispezia, one of the **oldest savings banks in Italy**, joined the Group in 2011. It is the market leader in its original provinces of operation, La Spezia and Massa Carrara; since 2014 it has been operating also in the provinces of Genoa, Savona and Imperia.

99 POINT OF SALE

2.8 bln € WORTH OF LOANS

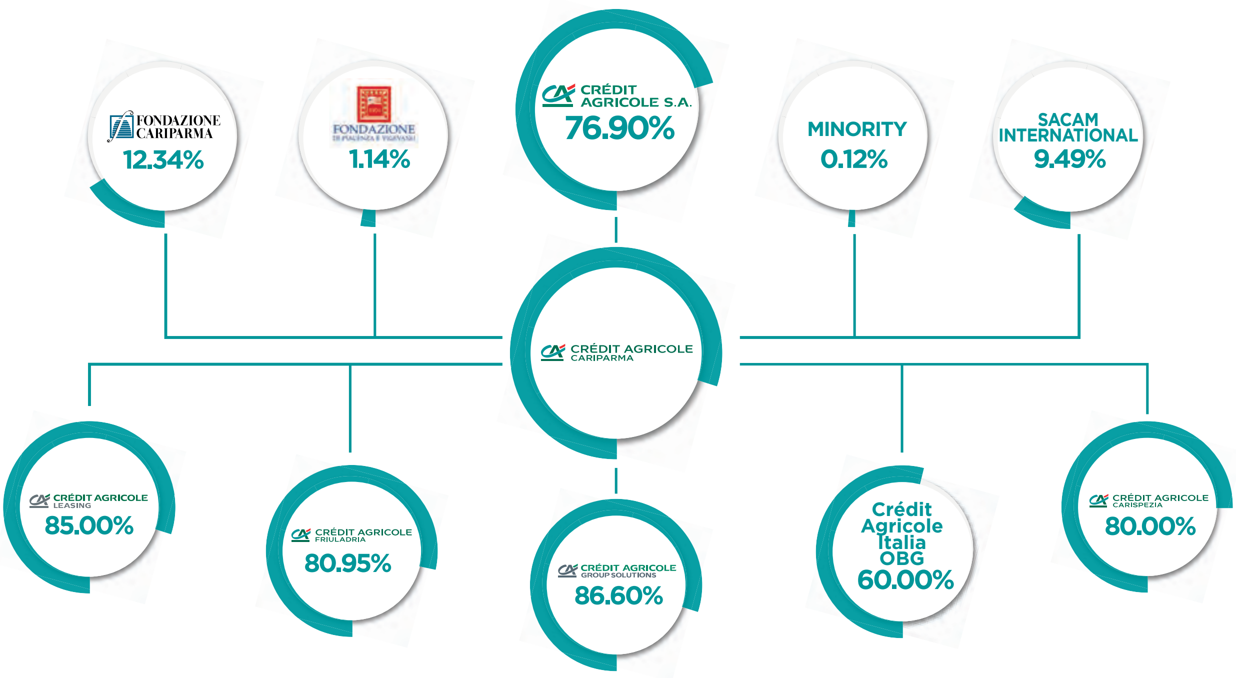
6.9 bln € WORTH OF TOTAL FUNDING

CRÉDIT AGRICOLE LEASING

Crédit Agricole Leasing Italia operates in the equipment, seacraft and aircraft, vehicle, renewable energy and real estate leasing segments. **At the end of 2018, 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.



DESCRIPTION OF BUSINESS ACTIVITIES

The Crédit Agricole Italia Banking Group's services are in an omnichannel mode and thus available at any time and in any place; the Group also provides innovative and digitally-integrated advisory services for investment also through a network of Financial Advisors. Another distinctive feature is the International Desk, designed to provide support to small and medium enterprises in their international development and a complete service model for Large-corporate Customers. On top of this the Group has a full range of products and specialist advisory services specifically designed for the Agri-Food sector players. The Crédit Agricole Italia Banking Group operates through an organizational structure that includes: the Retail and Private Banking channels, designed to provide services to individuals, households and small businesses, as well as of institutional customers; the Corporate Banking channel, designed to provide services to larger-size companies. In 2018, the Crédit Agricole Italia Banking Group further strengthened its commercial channel of financial advisors, who operate on 11 different markets. The Financial Advisors are employees of the Group and can meet customers (being them Individuals, Households or Businesses) at the Branches, but can also manage their schedule fully independently, in terms of place and time, meeting customers not at the Branches; our Financial Advisors operate in synergy with the other business units, in order to generate value in various scopes, thanks to a wide and complete range of specialist services.

SUSTAINABILITY MODEL AND APPROACH

As a proximity banking player, the Crédit Agricole Italia Banking Group has corporate social responsibility as an integral part of its business. CSR is at the core of the Group's corporate culture, informs all activities and strategic directions of the Group and is one of the development pillars of the new Medium Term Plan, which is currently being prepared. Its scope includes the concepts of Integrity, Trust, Responsibility, Transparency, Respect for diversity, Commitment and professionalism and Confidentiality, which are the values leading the Group. The way in which the Group implements corporate social responsibility values every day is set out in its Code of Ethics, which was updated in 2018 and which states the commitment undertaken towards its stakeholders, starting from its Customers, employees, providers and suppliers, the communities it operates in and the economic system as a whole. Being a responsible proximity banking player is not only stating commitments but entails the implementation of a corporate strategy that actually involves the communities and constant focus on the impacts that the Group's business generates and that play an important role in the Italian economy. This translates into business actions, support to the community, consistently with local needs, into investing in the economic fabric, preventing and managing reputational risks: all these elements together form a strategy that creates value for all the Group's stakeholders and benefits from a strong and direct relationship with Customers and from the closeness to economic players, in order to foster sustainable development of its local communities. All this rests on a close network of relations with the main stakeholders, which the Group establishes and consolidates in order to be always involved in local dynamics and to be able to interpret local needs. The expression of this approach is FReD, the framework initiative of Crédit Agricole, a meta-project that provides all the entities of the Group with a common approach to:

- design social responsibility policies;
- measure the related progress with a synthetic index;
- foster exchange of views between the various entities of the Group.

In accordance with this framework, at least four projects are carried out every year in each sustainability area (since 2016, three of these areas have been common to all the entities of the Crédit Agricole Group), namely:

- trust: this area includes projects aimed at protecting the interests of customers, at developing products that can be accessed and afforded by all people, ensuring the ethics is a driving force in business operations and commercial relations;
- respect: this area include projects dedicated to the respect for people, employees and staff members of the Group, fostering communication, exchange of views, participation, professional development and work quality, ensuring equality while promoting diversity. This scope includes projects aimed at promoting economic, social and cultural growth of the communities the Group operates in and at involving its stakeholders in CSR actions;

- Demetra: it includes projects for the protection and preservation of the environment, the areas and the communities in which the Group operates, with a range of green products in its lending and insurance business, supporting green innovation in local manufacturing and monitoring energy consumption.

Progress in the achievement of FReD objectives is measured with a scoring that is reviewed by the Audit Firm appointed by Crédit Agricole for the purpose, which gives a independent assessment of its performance. The achievement of FReD objectives of improvement is an integral part of the incentive system applying to the Group's Management.

Corporate Social Responsibility matters are discussed by the Top Management at the meetings of the Group Steering Committee, which consists of the executives reporting directly to the General Management and is the corporate body involved in the main business strategies and corporate projects, for its specific in-depth examination of the CSR approaches and development, as well as for periodic reporting on the progress of FReD projects.

The Internal Communication and CSR structure, which is part of the Communication Division, is responsible for managing the Group's corporate social responsibility. It ensures the prevention and management of any reputational risks, as well as the implementation of measures that actually ensure value creation. These are part of an "extended governance of the organization" model that provides for the analysis of risks and of the related impacts on the Group's equity, financial and profitability situation as essential factors in order to ensure sustainable growth and development and to generate value for each and every stakeholder. This Structure also coordinates the process for managing and reporting the Group's non-financial performances.

The generated and distributed added value[5] is reported below, stating the income and financial performance of the operations of the Crédit Agricole Italia Banking Group in 2018, in compliance with the updates of Bank of Italy Circular 262:

Direct economic value generated and distributed GRI 201-1			2018	2017	2016
10.	10.	Interest and similar income	927,732	1,016,183	1,070,801
20.	20	Interest and similar expenses	65,550	-149,960	-195,823
40	40	Fee and commission income	931,731	781,817	710,132
50	50	fee and commission expense (net of expenses for external networks)	-40,184	-47,756	-29,595
70.	70.	Dividends and similar income	12,614	8,839	8,742
80	80	Net profit (loss) on trading activities	10,711	18,510	16,307
90.	90.	Net profit (loss) on hedging activities	-10,832	-12,592	-7,118
100	100	Profit (Loss) on disposal or repurchase of:	31,951	26,316	30,051
		a) financial assets measured at amortized cost	5,444		
		b) financial assets measured at fair value through other comprehensive income	26,428		
		c) financial liabilities	79		
		a) loans		-15,260	-16,519
		b) financial assets available for sale		43,128	48,851
		c) investments held to maturity		0	0
		d) financial liabilities		-1,552	-2,281
110.	110.	Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	3,176		
		a) financial assets and liabilities designated at fair value	0		
		b) other financial assets mandatorily measured at fair value	3,176		
		Net profit (loss) on financial assets and liabilities measured at fair value		-30	0
130	130.	Net losses/recoveries for credit risk on:	-252,314	-237,536	-221,058
		a) financial assets measured at amortized cost	-251,366		
		b) financial assets measured at fair value through other comprehensive income	-948		
		a) loans		-212,736	-221,133
		b) financial assets available for sale		-23,344	-655
		c) investments held to maturity		0	0
		d) other financial transactions		-1,456	730
140.		Profits/Losses on contract modifications without derecognition	-1,037		
230.	220.	Other operating expenses/income	294,346	770,410	286,977
250.	240.	Profits (Losses) on equity investments (as regards the portion of profit (losses) on disposals)	8,530	8,048	9,766
280.	270.	Profit (losses) on disposals of investments	118	349	-244
320.	310.	Profit (Loss) after tax from discontinued operations	0	0	0
A. TOTAL ECONOMIC VALUE GENERATED			**1,982,092**	**2,182,598**	**1,678,938**
190.	180.	b) Other administrative expenses (net of indirect taxes and charity/donations)	592,364	500,911	495,714
ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS			**592,364**	**500,911**	**495,714**
190.	180.	a) staff expenses (including expenses for external networks)	742,023	610,772	636,926
ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES AND OTHER STAFF			**742,023**	**610,772**	**636,926**
340.	330.	Net profit (loss) for the year attributable to minority interests	18,155	11,640	10,844
ECONOMIC VALUE DISTRIBUTED TO MINORITY INTERESTS			**18,155**	**11,640**	**10,844**
		Net profit distributed to shareholders	128,571	110,965	116,785
ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS			**128,571**	**110,965**	**116,785**
190	180.	b) other administrative expenses: indirect taxes and other levies	121,199	101,773	103,801
300.	290.	Income taxes for the year (current taxes, changes in taxes, decrease in taxes)	72,252	52,209	71,878
ECONOMIC VALUE DISTRIBUTED TO CENTRAL AND PERIPHERAL ADMINITRATION			**193,451**	**153,982**	**175,679**
190.	180.	b) other administrative expenses: charity and donations			
		Profit allocated to the charity fund	1,800	2,200	2,200
ECONOMIC VALUE DISTRIBUTED TO THE COMMUNITY AND THE ENVIRONMENT			**1,800**	**2,200**	**2,200**
B. TOTAL ECONOMIC VALUE DISTRIBUTED			**1,676,364**	**1,390,470**	**1,438,148**
200.	190.	Net provisions for risks and charges	-23,378		
		a) commitments and guarantees given	-4,592		
		b) other net provisions	-18,786		
		Net provisioning for risks and charges		58,219	17,277
210.	200.	Net adjustments of/recoveries on property, plant and equipment	44,266	32,163	29,938
220	210.	Net adjustments of/recoveries on intangible assets	84,748	71,877	67,029
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 year (change, deferred tax assets and liabilities)	56,565	52,794	37,407
		Profit allocated to reserves	143,527	577,075	89,139
C. TOTAL ECONOMIC VALUE RETAINED			**305,728**	**792,128**	**240,790**

5 Subsequent to the entry into force of the new IFRS 9, the data reported in the 2018 statement have been compared to 2017 ones, where comparable, whereas new rows have been added for new and non-comparable figures, in accordance with Bank of Italy Circular 262.

Sustainability in the supply chain

The socially responsible approach of the Crédit Agricole Italia Banking Group is implemented throughout the value chain of its activities: suppliers of goods, providers of services and contractors are selected taking account also of environmental and social criteria, as well as, where possible, of their local origin. In 2018, the value of supplied goods and provided services came to approximately €776 million and 95% of such goods and services were procured from Italy. Membership in EcoVadis, a collaborative platform through which companies can monitor the sustainability performances of their suppliers and providers aimed at improving the environmental and social practices of businesses by leveraging on the influence of global logistic chains, during the phase of contract award, assigning a specific score based on whether tenderers are certified. Consequently, it can be stated that, in the reporting year, for the signing of contracts and agreements with suppliers, in addition to the quality of the contracted item, social and environmental values were also taken into account.

Moreover, when they are entered in the Bank's lists, all suppliers are requested to attach, if they are registered with EcoVadis, the related certification.

Total value of supply by region		2018	2017	2016
Total value of supply (204-1)	€	*812,656,520*	*716,259,154*	*621,770,641*
- of which foreign suppliers	€	*40,192,024*	*35,892,463*	*31,957,956*
	%	*5%*	*5.01%*	*5.14%*
- of which Italian suppliers	€	*772,464,496*	*680,366,691*	*589,812,685*
	%	*95%*	*95%*	*95%*
Lazio	€	*68,367,820*	*66,484,761*	*60,658,433*
Emilia-Romagna	€	*395,644,967*	*366,468,797*	*338,872,703*
Lombardy	€	*171,484,506*	*150,547,834*	*110,368,621*
Friuli-Venezia Giulia	€	*19,616,223*	*19,215,966*	*14,611,121*
Veneto	€	*12,811,690*	*11,966,353*	*9,477,095*
Tuscany	€	*18,980,185*	*12,829,045*	*13,206,693*
Liguria	€	*19,654,144*	*23,476,957*	*22,108,779*
Campania	€	*8,018,229*	*7,865,119*	*6,703,050*
Piedmont	€	*10,971,314*	*11,234,228*	*8,762,037*
Puglia	€	*1,320,699*	*1,437,384*	*1,290,498*
Marche	€	*2,009,771*	*1,298,689*	*44,620*
Abruzzo	€	*3,051,754*	*4,887,605*	*1,662,727*
Trentino-Alto Adige/Südtirol	€	*730,521*	*638,324*	*668,909*
Umbria	€	*1,381,431*	*1,419,339*	*1,098,935*
Other Regions	€	*38,421,241*	*596,290*	*278,464*
Selection and qualification of suppliers (414-1; 308-1)				
Suppliers on the register with at least a certified HSEQ system	Number	665	433	433
of which ISO 9001-certified	Number	*651*	*427*	*427*
of which ISO 14001-certified	Number	*201*	*143*	*143*
of which compliant with SA 8000	Number	*58*	*37*	*37*
of which OHSAS 18001-certified	Number	*138*	*91*	*91*
of which ECOVADIS-certified	Number	28	n.d.	n.d.
Suppliers entered in the register in 2018 having at least a certified HSEQ system	**Number**	**59**	**n.d.**	**n.d.**
of which ISO 9001-certified	Number	58	n.d.	n.d.
of which ISO 14001-certified	Number	19	n.d.	n.d.
of which compliant with SA 8000	Number	4	n.d.	n.d.
of which OHSAS 18001-certified	Number	15	n.d.	n.d.
of which ECOVADIS-certified	Number	0	n.d.	n.d.

All the suppliers on the Register are requested to provide an antimafia self-certification and a specific statement pursuant to Italian Legislative Decree No. 231/01. The Group 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 30% of their total revenue. In 2017, the Purchasing Policy was updated; it regulates the activities of the Crédit Agricole Italia Banking Group with

its suppliers, also in accordance with the Code of Ethics and with the applicable legislation and internal regulations in force at the relevant time. The Group is also focused on limiting indirect impacts on the environment generated by its suppliers' activities and, for this purpose, requests certifications during the contract-awarding phase and implements actions to increase awareness and proactive policies that provide for the exclusion of polluting activities or products in its business with suppliers.
In order to access the Group's Purchasing Portal, each supplier is asked to expressly accept the General Terms and Conditions and the Regulation for participation, the Confidentiality Annex and Information to data subjects, as well as to acknowledge the Code of Ethics of the Crédit Agricole Italia Banking Group and of the Code of Ethics of Agos Ducato.
For being entered in the Group's Register of Suppliers and Providers, the documents are requested:

- general terms and conditions for participation and the related unfair contract terms;
- identity document and Taxpayer Identification Number of the Legal Representative;
- the Italian Certificate of Labour Compliance (Italian acronym DURC);
- self-statement of minimum safety and security measures;
- statement pursuant to Italian Legislative Decree 231/2001;
- technical and professional capacity;
- antimafia statement;
- 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.

Corporate and business management model

GOVERNANCE AND ORGANIZATIONAL STRUCTURE

The Companies of the Crédit Agricole Italia Banking Group have chosen to adopt the traditional management model, which comprises a General Meeting of Shareholders and two Corporate Bodies, both appointed by the General Meeting: the Board of Directors and the Board of Auditors. This management system allows single leadership and direction, with one central body in charge of strategic oversight and management.

It also ensures that corporate strategies and policies for risk management and control are based on and consistent with the banking business specific models and higher efficiency in both management and control.

In terms of separation of responsibilities, having a corporate body in charge of the Company management, with strategic oversight functions on the one hand, and another body in charge of control functions allows their respective responsibilities to be clearly represented and any redundancy of roles and responsibilities to be eliminated, the latter often affecting alternative models of corporate governance.

The implementation of the corporate strategies is assigned to the relevant Bodies and Roles vested with the related responsibilities and powers, whereas the Board of Auditors is engaged in control functions and supervises the proper operation on the internal controls system, ensures the effectiveness and adequate coordination of all the structures and roles involved and promotes corrective actions if any shortcomings or irregularities are detected, in order to ensure effective control of each and every risk. The Board of Directors, the Body engaged in strategic oversight within the risk management and control system, adopts organizational models and operational and control mechanisms that are adequate and fully compliant with the applicable legislation and with the set corporate strategies. The Board of Directors of each one of the Group's subsidiaries approves the Company general organization structure, in order to ensure independence of assessment, adequate assignment of responsibilities and separation of duties, also with specific tasks given to different corporate structures and function holders. It also validates the risk policies providing for risk management and mitigation, which are submitted for approval to the Board of Directors of the Parent Company; the risk polices are then adopted by the Board of Directors of each subsidiary. In order to prevent any possible conflicts of interest, the Board shall define and assign specific responsibilities to the various corporate structures. The activities of the Banks of the Group are coordinated by a central structure, with direct reporting to the competent bodies and roles engaged business functions, in separate control functions and in operational functions with centralized governance. In 2018, the Code of Ethics of the Crédit Agricole Italia Banking Group was updated; it promotes the Group's culture of ethics and sets forth its commitments and values towards its stakeholders. The principles and values expressed in the Code of Ethics also inform the internal Code of Conduct, which sets the conduct guidelines and standards in terms of ethics, confidentiality and professionalism, as well as the Group's internal normative instruments. The Code of Ethics is subject to periodic review by the Compliance Department and 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 in 2018 to the new developments in the applicable legislation and in accordance with the organizational changes occurred.

COMPLIANCE, INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Compliance Department controls and monitors non-compliance risks and ensures the integrity of the corporate process and procedures in accordance with the applicable national and international legislation and with the guidelines given by the Parent Company. It ensures the prevention of money-laundering and terrorism financing risks pursuant to the applicable legislation, the prevention of market abuse and of the offences set out in Italian Legislative Decree 231/01 and the protection of personal data in accordance with the applicable legislation, as well as compliance with the applicable legislation on banking and intermediation activities. It provides advice and assistance where no other compliance-specific control is already in place, in order to protect the Group's Companies, employees and top management from any risk of penalties, financial losses and reputational damage and to ensure constant centrality of Customers' interests. The Compliance

Department can be involved also in areas where controls are already in place, limited to the definition, in cooperation with the relevant structures, the methods for risk assessment and the related procedures to verify the effectiveness of non-compliance prevention. The Risk and Internal Control Committee, resulting from the combination of the former Internal Control Committee, Risk Management Committee and Compliance Committee, is responsible for:

- governing the structures engaged in control functions (Internal Audit, Compliance, Risk Management and Permanent Controls) and the internal control systems, in accordance with the instructions given by the Parent Company;
- examining and approving the risk guidelines, expressing opinions on the Risk Policies to be submitted to the Board of Directors for approval and deciding on the proposals made by the relevant work groups regarding risk management and prevention;
- constantly analyzing any development in the applicable legislation and proposing any changes. The 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, are provided with support by the control structures in accordance with their specific responsibilities. The control structures also sit on and provide reporting to the Internal Control Audit Committee of the Parent Company.

The Internal Audit Department is independent of any executive and decision-making structure or role entailing risk-taking. It performs regular controls on the processes and organizational units of all the Companies of the Crédit Agricole Italia Banking Group and on outsourced Important Operational Functions; it reports the outcomes of its activities to the Top Management, the Corporate Bodies and Officers and to the Parent Company. It keeps constant control on the activities, as required to respond to any irregular situations or behaviours. It assesses the adequacy of the internal controls system in ensuring the effectiveness and efficiency of the corporate processes as implemented, the value of assets, protection from losses, the quality of accounting and management information and compliance of operations with both the policies set down by the corporate governance bodies and with all applicable internal and external regulations.

The approach to risk management

The Risk Management and Permanent Controls Department is responsible for risk control and governance for all the Companies of the Group, except for the Compliance-specific ones mentioned above.

Risk management and control are based on the following principles:

- clear identification of risk-taking responsibilities;
- measurement and control systems that are compliant with the Supervisory instructions and in line with the solutions more frequently adopted at an international level;
- organizational separation between operating and control functions.

The perimeter of risks detected, monitored and integrated (taking account of diversification advantages) in the economic capital includes:

- credit risk and counterparty risk, with the associated concentration risk;
- market risk of the Trading Book;
- price risk of the Banking Book;
- interest rate risk of the Banking Book;
- liquidity risk;
- foreign exchange risk of the Banking Book;
- operational risk.

In 2018, a new system was developed for the management of IT risks, while the management of operational risks (especially as regards personal data protection and payment security) and 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.

Finally, the harmonization and improvement of practices continued based on the instructions given by Crédit Agricole S.A. also for Cassa di Risparmio di San Miniato, Cassa di Risparmio di Cesena and Cassa di Risparmio di Rimini, which were acquire within the “Fellini Project”.

Risk Appetite Framework

The Risk Appetite Framework (RAF) is the framework for setting the maximum levels of risk that may be taken for each type of risk.

The set risk appetite depends directly on the financial policy and on the risk management policy. It is expressed with:

- a selective and responsible funding policy structured within a conservative lending policy set down in the Risk Strategy, in the Corporate Social responsibility Policy and in the system of decision-making powers in force;
- keeping exposure to market risk to a minimum level;
- strict oversight on exposure to operational risk;
- a system of controls aimed at controlling non-compliance risk (identified and monitored);
- careful measurement of risk-weighted assets;
- integrated management of the Group's assets and liabilities.

Along with the use of the RAF, in order to ensure the best possible control on risks, the Group constantly 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 maximum acceptable risk level.

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 he 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 indicators and alert thresholds are set, which, if breached, trigger a Recovery Plan process. As at 31 December 2018, the Group's primary ratios/indicators were found satisfactory and consistent with the Risk Appetite set by the Group. They have never breached the set tolerance levels. The internal controls system implemented by the 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.

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 and 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 the 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 of D.Lgs 254/2016	Material topic	Risk mapped by the Crédit Agricole Italia Banking Group	Management approaches
Social	*Service quality and innovation*	Fraud risk Non-compliance risk Personal Data Protection risk IT Risk	Risk Strategy
	Responsible lending and access to credit	Credit risks	Risk Strategy and Lending policies
	Support to businesses and to the agri-food sector	Credit risk	Risk Strategy and Lending policies
	Proximity to Customers and Communities (proximity bank)	Credit risk Reputational risk	Lending policies Brand positioning and CSR initiatives
	Involving the Communities	Counterparty Risk Reputational Risk	Brand positioning and CSR initiatives
Fight against active and passive corruption	*Integrity in governance processes and in business management*	Non-compliance risk	Code of Ethics and Model 231
Staff Management	*Internal exchange of views, welfare and equal opportunities*	Non-compliance risk	Code of Ethics and Code of Conduct
	Work relationships and development of human resources	Occupational health and safety risks	Risk Assessment Document and mitigation plan
Human Rights	-	Credit risk Reputational risk	Code of Ethics and Code of Conduct
Environmental	*Protection of the environment and promotion of the Green Economy*	Credit risk Reputational risk	Code of Ethics and Environment and Energy Policy

To control non-financial risks, the Ethics Charter and the Code of Ethics, as the general reference framework, as well as the OMC are implemented, based on which each structure is involved in the monitoring of reputational risks within the respective activities.

The Risk Strategy, which is approved by the Risk Committee of Crédit Agricole S.A. and shared with the Parent Company, is updated every year: it sets out the levels of risks (credit risk, financial risk, market risk and operational risk) as appropriate for the Group's development strategy, as well as the related global limits (alert thresholds) suitably supplemented by operational limits, tailor made for each single entity and submitted for approval to the Boards of Directors of the Parent Company and of the entities.

Lending policies are part of the Risk Strategy. The expressly set restrictions, along with the guide for the definition of loan proposals and decisions, which the Network and the Bodies in change of Loan Authorization and Loan Management shall comply with, give the frame regulating how credit risks are to be taken and managed by the Group's entities. Lending policies are also a tool to foster balanced growth of loans to the most deserving Customers and to concomitantly control and recover exposures to the riskiest Customers.

Indeed, the Group identifies, on the one hand, the sectors deemed as showing higher economic and social risk (sector -related policies), in which lending is discontinued or downsized. On the other hand, other economic activity sectors have been identified as attractive and are deemed strategic for the social development and economic growth of communities the Group operates in, these sectors are the ones where a priority and expansionary strategy is implemented.

Social and environmental risks are taken into account also during the creation, design and development of new products and services, which are submitted for approval to the NAP Committee, responsible for assessing new solutions to be marketed, and to the Loan Committee for analysis and assessment of loans having considerable sizes. Specifically, no loan, of any type, is authorized to counterparties that are involved in the manufacturing, storage or sale of anti-personnel mines and cluster bombs and no credit facility is authorized intended for the financing of international trade of nuclear, biological or chemical weapons or other weapons of mass destruction. Furthermore, the Group has identified casinos, gambling and betting, trade of works of art, renewable energies, diamond trade and industry, collection and disposal of hazardous waste and non-profit organizations as the economic sectors for which loans shall be authorized with the prior consent of the Anti-money laundering legislation Service, followed by exhaustive assessment by the central decision-making bodies. The Parent Company has structures its programme for protection against the risk of international sanctions based on EWRA (Enterprise Wide Risk Assessment), a tool that considers all risk indicators regarding the specific activities potentially relevant for international sanctions carried out within the Group.

Material topics relevant to business operations

In order to identify the topics that are deemed material by its stakeholders and by the Group in accordance with its business operations, the Crédit Agricole Italia Banking Group updates its materiality analysis every year. This process has also identified the topics "[…that are material considering the company's business and features]", as required by D.Lgs. 254/2016, interpreted for reporting purposes in accordance with the scope of application of the legislation.

As the previous one, also in the reporting year the materiality analysis took account of the impact of risks and opportunities associated with the business.

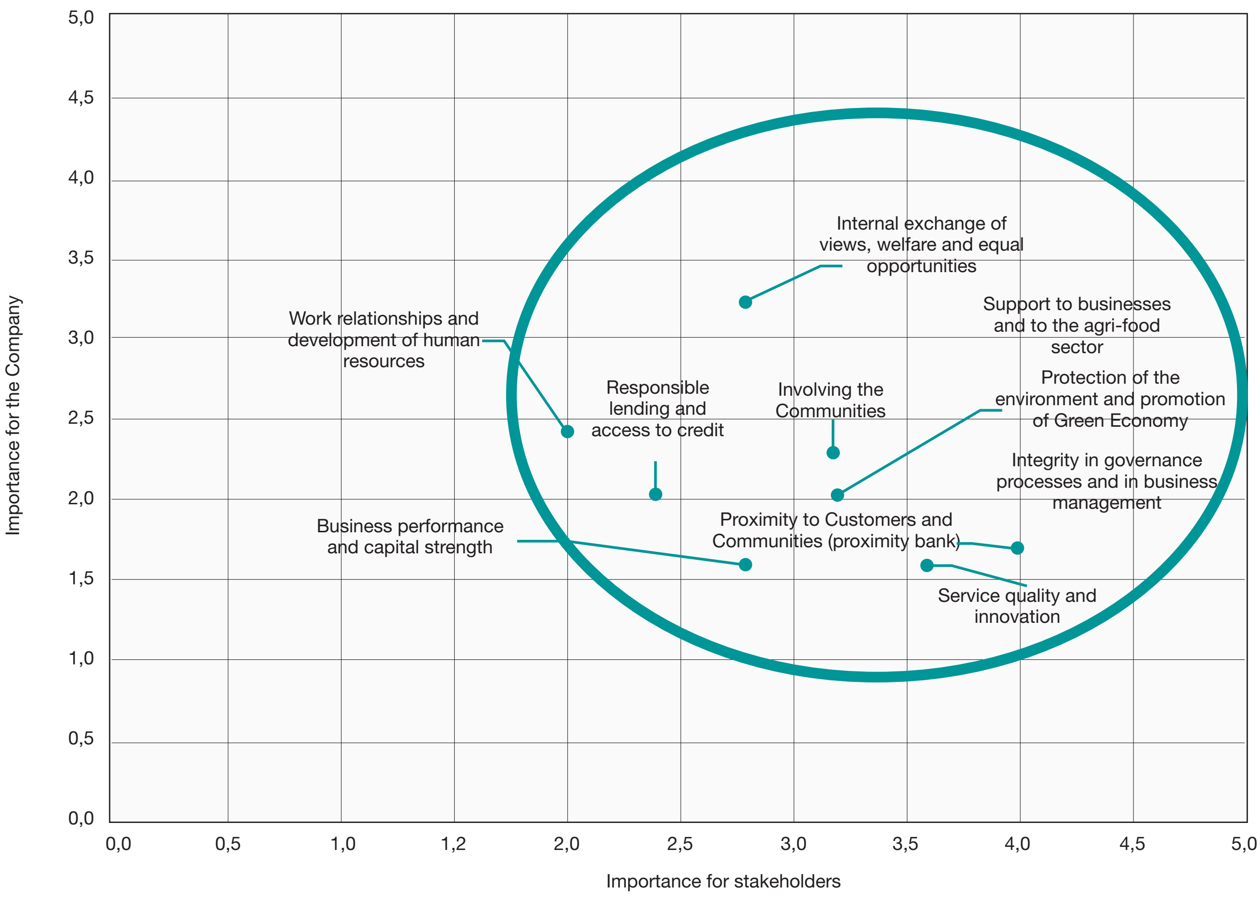
The updating of material topics was based on a structured process that considers perspectives inside and outside the Group perimeter and uses the outcomes of the same process made in 2017 as its starting point. The analyzed inputs are:

- the analysis of the main trends in the industry, with benchmarking to the leading peers of the Crédit Agricole Italia Banking Group;
- the 17 goals with the related 169 targets of the United Nations 2030 Sustainable Development Agenda and, especially, the document connecting the Group' activities to the Agenda targets, which was prepared in 2018 as the steering dashboard of the Group's sustainability policies;
- verification of the main topics for which the public opinion puts "pressure" on the Crédit Agricole Italia Banking Group, thanks to press reviews on the web;
- the scenario elements contained in the Action Plan of the European Commission implementing the indications of the "Financing a Sustainable European Economy" Final Report published by the High-Level Expert Group on Sustainable Finance.
- the 2018 survey by Doxa on public perception of the performance of the "mortgage loans" campaign;
- the commitments undertaken and formalized in the Code of Ethics and in the Code of Conduct, as substantially updated in the reporting period;
- the priorities in terms of CSR actions, as determined in the new three-year Business Plan;
- the 2018 climate analysis, used as a proxy for the identification of employees' priorities;
- internal interviews with the heads of structures of the Crédit Agricole Italia Banking Group, made to obtain the point of view of each function holder on material topics and highlighting the key aspects and main projects developed in the year consistently with such aspects.

The updating activity yielded results that are consistent with those of the previous materiality analysis. Therefore, in the following chapters, these topics are associated with each scope of application of D.Lgs 254/2016. Starting from this reporting year, material topics shall be represented with a matrix able to rank them and, for 2018, they are:

- **business performance and capital strength;**
- **integrity in governance processes and in business management;**
- **service quality and innovation;**
- **responsible lending and access to credit;**
- **support to businesses and to the agri-food sector;**
- **proximity to Customers and Communities (proximity bank);**
- **involving the Communities;**
- **internal exchange of views, welfare and equal opportunities;**
- **work relationships and development of human resources;**
- **protection of the environment and promotion of the Green Economy.**

The matrix, through its axes, gives a clear representation of the internal and external materiality of each topic.


5,0
4,5
4,0
3,5
3,0
2,5
2,0
1,5
1,0
0,5
0,0
Importance for the Company
0,0
0,5
1,0
1,2
2,0
2,5
3,0
3,5
4,0
4,5
5,0
Importance for stakeholders
Internal exchange of views, welfare and equal opportunities
Support to businesses and to the agri-food sector
Work relationships and development of human resources
Responsible lending and access to credit
Involving the Communities
Protection of the environment and promotion of Green Economy
Integrity in governance processes and in business management
Business performance and capital strength
Proximity to Customers and Communities (proximity bank)
Service quality and innovation

Social aspects

RELEVANCE FOR THE BUSINESS OPERATIONS OF THE CRÉDIT AGRICOLE ITALIA BANKING GROUP

The core commitment of the Crédit Agricole Italia Banking Group is to promote the development of local communities and of Italy as a whole, as a proactive and responsible player, but especially as a proximity player, able to give new inputs to the economic system and to trigger processes leading to the creation of shared value. The social aspects that are relevant to the Group's operations, as found with the materiality analysis, are:

- business performance and capital strength;
- service quality and innovation;
- responsible lending and access to credit;
- support to businesses and to the agri-food sector;
- proximity to Customers and Communities (proximity bank);
- involving the communities.

POLICIES ON THIS TOPIC

The process for the periodic review of the lending policies of the Crédit Agricole Italia Banking Group, which had started in the last months of 2017, was completed and fully implemented in 2018. The new policies have upgraded the guidelines for loan authorization to the new sector risk perimeters and have implemented the new developments resulting from the revision of the Company organizational structure. The main instrument governing the operations of the Crédit Agricole Italia Banking Group is the document by the title "Lending policies for Businesses, Production Chains and Public Administration Bodies". This document, which, thanks to the updates completed and implemented in 2018, is fit for the new organizational structure of the Group, provides guide to specialists and advisors to design products and services in order for them to be tailor-made for the Customer's needs. The result is fully customized solutions and stronger and stronger trust between the Group and its Customers. Furthermore, while being harmonized for the entire Group, products and services are specifically interpreted for each one of the communities the Crédit Agricole Italia Banking Group operates in, so that local needs can be effectively met and the proximity bank feature of the Group can be further enhanced. The lending policies, which are then submitted for approval to the Boards of Directors of the Banks of the Group, are designed and updated every year by the Credit Department, in agreement with the General Management and with the contribution of the Risk Management and Permanent Controls Department, the Commercial Banking Department and of the Compliance Department. The Credit Department monitors lending and regularly reports on it to the Board of Directors and/or the Executive Committee. The Commercial Banking Departments are responsible for segmenting Customers into the Lending Policy grades and implement the related Strategies. The Lending Policies provide for five grades, each one of which has its own objective: growth, controlled growth, stabilization, downsizing and restructuring and discontinuation. They identify and set apart the sectors featuring high socio-economic risk from those with higher opportunities for development, not only for the Bank but also for the communities concerned with the related operations and, as the case may be, provide for conservative strategies or expansionary ones. Customers are subject to thorough assessment, especially during the prior analysis of applications and upon finalization of loan contracts, in order for the socio-environmental requirements of the contracts to be complied with. The Policies also refer to the authorization process for the approval of new Activities and New Products, which governs the development of new products and any changes made on the ones already marketed. In compliance with IDD, MiFID II and with the Transparency provisions issued by the Bank of Italy, the policy on the approval of new products and new activities, which was updated in 2018 as regards "product governance", aims at ensuring that all its banking, financial and insurance products are proposed and sold to Customer for whom such products are deemed suitable, based, for instance, on the objectives and features of the relevant Customers.

The innovation features of the product are assessed in a specific phase provided for by the Policy: this assessment considers the target Customers, as well as the emergence of "new risk profiles" and the activation of new distribution channels or procedures.

In the reporting year, the changes made to the Lending Regulation and to the Regulation on Performing Loans and Loans with Early Warnings were approved; said changes concerned the structures, tools and organizational processes in the lending perimeter. These changes were made in order to streamline the management processes and to target them, so that they foster strong involvement and responsibility-taking throughout the lending chain.

The lending policies go along with policies governing the approach of the Crédit Agricole Italia Banking Group in specific economic activity sectors, identified through market surveys based on their attractiveness and featuring "openings" for development. These policies also govern operations in certain scopes and provide guide on compliance with the applicable legislation. Sector-specific Lending Polices address especially the agri-food, renewable energy, international business and export, mortgage loans, the Public Administration, businesses as regards OTC derivative financial instruments and controversial sectors.

By its very nature, the Crédit Agricole Italia Banking Group has always been very committed to supporting the growth and development of agri-food businesses. This is why it has a structured approach to designing the procedures and provision of services, which is set out in the Lending Policies for the Agri-Food sector. These policies provide the guidelines for bankable operations, in accordance with the regulation of the "Agriculture Project", which contains the features of the main types of loans in terms of both intended use and duration, bankability of investments and the main types of loans.

Sector-specific policies also include the Lending Policy for exports/international business, which has been designed to support internationalization of enterprises strongly focused on exports and a significant portion of their revenues from international business, as a sign of better ability to compete on the market.

The Lending Policies also cove the "sectors under surveillance": the Group's operations in these sectors shall be based on specific assessments, and consequently management, of the related social impacts. In the reporting year, the lending policies were progressively extended also to the Customers of the former Fellini Banks, along with their integration in the Crédit Agricole Italia Banking Group.

Then, there are some sectors that have been defined as "risky", such as real estate, hotels and building, which, where not regulated, entail high land consumption. The lending policies of the Crédit Agricole Italia Banking Group for these sectors are quite restrictive and based on limits that are set, every year, by the Risk Strategy. New operations and loans are authorized based not only on customers' creditworthiness, but also on environmental protection. The latter point applies to real estate projects that are fully compliant with the legislation on energy saving, that use renewable energy sources, generate low land consumption, are limited in size and work for urban regeneration.

At the same time, also the policy covering the authorization of loans to Individuals, intended for home purchase or renovation, takes into account the features of the real estate units in terms of environmental sustainability. The Risk Strategy sets out specific criteria to be used for 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.

In addition to lending policies, the Crédit Agricole Italia Banking Group pursues proximity to the communities it operates in and has designed its guidelines on the "Organization and Management of Sponsorship Initiatives". These guidelines set out the processes and operational activities to be carried out before the definition and organization of sponsorship initiatives to be promoted, including cultural, sport or entertainment events that ensure return in terms of the Group's brand image. In the reporting year, the Charity Committee designed new guidelines, shared with the Group's entities, which combine a bespoke treatment for the specificities of the single communities with harmonized principles and processes. In this regard, the following procedures and criteria have been implemented:

- dossier analysis that take account of the developments introduced by the Third Sector Code;
- internal ratings to assess applicants;
- criteria that are harmonized for all the Group's Banks to assess applications for charity contributions.

Since 2018, the guidelines on charity have been focused on a lower number of contributions but more relevant ones, with more marked diversification by community, the identification of high-standing local partners and essential balance between contributions for cultural and social activities.

The "Policy for complaint management" sets out the roles and responsibilities for the management of complaints, including those lodged with the Banking and Financial Ombudsman (Italian Arbitro Bancario e Finanziario - ABF) and with the Arbitrator for Financial Disputes. To manage incidents regarding the Information System and the Information Security System, the Group's "Incident Management Policy" was updated. The ICT Compliance Policy sets out the organizational and operational model for managing the risk of non-compliance with the applicable ICT legislation, with the tasks and responsibilities of the involved bodies and organizational units.

ACTIVITIES AND OPERATING PERFORMANCE

In its lending operations, the Group's mission includes compliance with specific obligations in terms of information provided, transparency and integrity in its business relations with Customers, in order to support them in finding the best solution, to provide specialist and responsible advice ensuring that the proposed product or service is actually fit to meet the specific need, in order to protect Customers from overindebtedness, also by implementing policies for creditworthiness assessment based on adequate information.

The Group's objective is to supply high-quality banking products and services, while responding to people's needs, with specific focus on the satisfaction of all Customers - young people, adults, households, weak groups of the population – combining the nation-wide dimension to its proudly cherished strong roots in local communities. As mentioned above, in 2018, the Group was engaged in implementing the plan for the integration of the Fellini Banks. The combination falls within the scope of the "Ambizione Italia 2020" strategic plan and is intended to contribute to the increase in the operations of the Crédit Agricole Group in Italy.

SERVICE QUALITY AND INNOVATION

For the Crédit Agricole Italia Banking Group transparency is at the basis of each and every activity and operation: the Group implements communication forms that are well understandable and complete and promotes interaction and exchange of views with its customers through various channels, also in order to receive questions and suggestions.

2018 was an important year within its Digital Transformation, which has been carried out always keeping Customers and human relationships at the center. The ambition is to continue to listen to Customers in an "around the branch" multichannel integrated mode.

The main digitalization projects fall into 3 areas: one is that of online acquisition that has generated an increase in the percentage of Current Accounts opened on the web and online cross-selling. Specifically:

- also thanks to intra-group synergies, the sale funnel improved and the Conto Adesso applications generating channels have increased;
- Mutuo Adesso, the online platform for mortgage loans became fully operational; it gives a quote of the Group's range of products and provides Customers with all the necessary information for full understanding of the products.
- in synergy with CA Assicurazioni, two projects were launched for full online sale from the Individuals Internet Banking platform, namely the renewal of the MV liability product (Protezione Guida) and the policy for travel protection (Protezione Vacanza).

The second development area has entailed considerable investments in the digital platforms with innovative elements within the Internet and Mobile Banking channels In this regard, the new Internet Banking Platform for Individuals and SMEs, "**Nowbanking Privati**" and "**Nowbanking PMI**" has features fit to meet personal and business needs and gives the possibility of sales assisted remotely by an account manager via chat and video chat. **App Nowbanking**, the app for Small and Medium Enterprises was implemented with basic banking services and services for payment of electronic bank receipts (RIBA) and Bills.

Finally, the **Nowbanking Corporate** platform was consolidated and improved with the addition of the new payment service CBILL. Moreover, the new Nowleasing falls within the wider project for the digitalization and industrialization of Crédit Agricole Leasing Italia.

The innovations in the digital scope are based on streamlined and smooth processes that allow customers to have an end- to- end process 100% online, directly in their internet banking app.

The third development area includes projects and initiatives addressing young people based on innovative ideas. This scope includes new apps, such as FASTCASH, for cardless cash withdrawal from ATMs. This area comprises also Hackathon and financial education activities, including Active Learning Lab and BankMeApp for Schools: these Educational Initiatives address students attending school in the communities with innovative teaching labs, which are carried out also thanks to the cooperation with Università Ca' Foscari, Università Cattolica, the University of Parma and the High Schools in the municipality of Parma.

The range of products supplied by the Group was extended with a new platform for the EasyPlus evolved debit card, "Vesti la tua Carta" which meets the multitask and flexibility requirements expressed by Customers, and, thanks to the dedicated platform, also requirements in terms of security and data protection. The "Vesti la tua Carta" Digital Platform obtained a mention of merit and was nominated for the prizes in the "Financial Innovation - Italian Awards" category.

In 2018, the Crédit Agricole Italia Banking Group designed and developed its operations for the distribution of insurance products in full compliance with the new EU legislation (Directive (EU) 2016/97 of 20 January 2016 - IDD) on insurance distribution, which entered into force on 1 October 2018. The distribution of insurance products is based on a Customer Centric approach, intended to ensure consistency between the product and the Customers' needs and to improve the distribution process with focus on insurance advisory services, with a new specific tool, while ensuring wider disclosure, with more transparent communication tools.

In order to strengthen customer protection, the Group has implemented the Payment Account Directive, aimed at ensuring comparability of the costs of payment accounts for consumers with the adoption of a EU-wide standardized terminology.

In the reporting year, Cyber Security governance and processes were strengthened. Specifically, the innovation concerned some topics in the "CARS" (Crédit Agricole Security Strengthening) project, such as communication and training, control of strategic systems, the strengthening of production defences, incident detection and protection of sensitive data.

The process for continuous improvement in security levels concerned also electronic payments, with the new IT solutions of Internet banking and Mobile Banking platforms, on which important functions have been implemented for the digitalization of banking transactions.

Also the Wealth Management segment has been more and more focused on the innovation of its services and of supporting tools. The entry into force of MiFID II has further increased the need to lay foundations for the development of the WM 2.0. Project, which is intended for the evolution of the present service model towards excellence in advisory services, in order to be able to drive growth that is organic and sustainable over time. the Project guidelines focus on the creation of structures to provide support to the supply chains with higher added value, on the optimization of cost to serve through the industrialization and digitalization of supply and on the extension of the tools supporting the quality of the service to Customers, with the evolution of digital platforms.

In this regard, in 2018 the integration of the three Fellini Banks was completed in early September. Thanks to their integration, new cooperation schemes with Product Companies could be started and the product catalogue could be extended.

The new developments in asset management were the launch of the new Amundi Accumulazione Italia PIR Fund, which is the first PIR-compliant fund with a pre-set subscription window in the Italian market and which is intended to provide, in one single product, the advantages resulting from investment in Italian Individual Saving Plans (Italian acronym PIR) and from the mechanism of gradual investment in stocks. The "Funds with pre-set subscription window" range has been extended with the addition of Disruption funds, focused on very attractive businesses and sectors, able to create or benefit from innovative business models, as well as of the Amundi Selezione Benessere fund, which aims at seizing the return potential generated by socio-environmental changes linked to consumers' search for wellbeing and with the design of specific funds for the customers of the private banking and financial advisors channels, such as the Amundi Mega Trend fund. As regards Unit-linked products, the synergy with the Group's product companies contributed to the launch of "Global Solution", a new multiline Unit-linked product that comprises 17 different investment solutions and can follow the Customer's needs as they evolve over time. It includes also funds investing in the Green Economy.

As in the previous year, also in 2018 the Private Banking channel focused on digital innovation and multichannel access to the service as an integral part of its business, with two key drivers, namely improved Customer Journey and improved efficiency of the activities of account managers, also through the CRM platform (Nowdesk).

More in general, a quality relationship with Customers cannot but rely on excellent processes for complaint management. The Crédit Agricole Italia Banking Group manages this activity centrally and designs processes in order to mitigate risks. Customers can file complaints sending them by post, e-mail (ordinary e-mail, certified e-mail and e-form available on the institutional website) o or by handing them in at branches that then forward them to the Complaints Service. After receiving a complaint, the Service puts it on record in a dedicated database in order to ensure that it is properly managed and monitored; at the same time, an appropriate letter is sent to the Customer informing him/her that the complaints is being processed and of the related time for reply. The Complaints Service processes all received complaints in cooperation with the various corporate structures concerned, in order to give an exhaustive reply to the Customer, including, if the complaint is found well grounded, the related actions undertaken. Complaints shall be processed and replied to within: 15 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 Office is responsible also for managing and responding to these complaints.

Complaints (*) (417-2)		**2018**	**2017**	**2016**
By type				
Credit/debit cards	Number.	167	174	130
	%	6%	8%	6%
Securities	Number.	226	150	177
	%	8%	7%	8%
Loans and receivables	Number.	126	156	162
	%	5%	8%	7%
Mortgage loans	Number.	254	295	364
	%	9%	14%	16%
Current accounts/Deposits	Number.	1,169	774	812
	%	43%	37%	36%
Insured products	Number	67	114	92
	%	2%	5%	4%
Salaries/Pensions	Number	1	0	0
	%	0%	0%	0%
Privacy (GRI 418-1)	Number	4	0	0
	%	0%	0%	0%
of which filed by third parties	Number	4	N.a.	N.a.
of which regulators	Number	0	N.a.	N.a.
Other	Number	701	417	513
	%	26%	20%	23%
Total complaints	**Number**	**2,715**	**2,080**	**2,250**
By reason				
Processing of transactions	Number	1,368	1,088	995
	%	50%	52%	44%
Communications and information to Customers	Number	193	106	160
	%	7%	5%	7%
Terms and conditions applied	Number	294	225	326
	%	11%	11%	14%
Frauds and misplacement	Number	183	156	147
	%	7%	8%	7%
Other	Number	677	505	622
	%	25%	24%	28%
Total	**Number**	**2,715**	**2,080**	**2,250**
Complaints that resulted in a fine or monetary penalty	Number	0	n.d.	n.d.
Complaints that resulted in an admonition	Number	0	n.d.	n.d.
Complaints for non-compliance with voluntary codes	Number	0	n.d.	n.d.

(*) The 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)		2018	2017	2016
Total incidents	Number	162	99	107
of which settlement	Number	0	N.a.	N.a.
of which mediation	Number	15	N.a.	N.a.
of which arbitration (Banking and Financial Arbitrator, A.B.F)	Number	147	99	107

Litigation with Customers		2018	2017	2016
Litigation with Customers	Number	1,373	1,208	1,343
Monetary value of litigation with Customers	€	309,172,338	127,214,187	117,294,947
Bankruptcy litigation	Number	35	43	42
Monetary value of bankruptcy litigation	€	32,005,359	28,559,084	30,859,527

In order to be compliant with the General Data Protection Regulation (GDPR), which entered into force on 25 May 2018, the Crédit Agricole Italia Banking Group started specific projects whereby progressive updating has been triggered to reach vfull compliance.

One of the most important projects was the implementation of the new organizational model as regards personal data protection, with the appointment of the “Data Protection Officer” (DPO) - a role in charge of guaranteeing and controlling personal data protection - and the definition of the method to assess the impact on personal data protection (Data Protection Impact Assessment - DPIA) - to be carried out every time data processing may entail potential risk to the rights and freedoms of natural persons.

Customer satisfaction

For the Crédit Agricole Italia Banking Group, “proximity” also means being able to understand customers and to interpret their needs in order to provide a service that is adequate, tailor-made and able to meet the requests and needs expressed. In the relationship with customers, listening is essential, and stands upstream, during and downstream the process for step-by-step monitoring of the quality of the service provided. It is put in place with a system providing for a survey programme addressing a sample of customers belonging to the Retail Banking, Private Banking and Corporate Banking segments. The survey is carried out by the market survey specialist company Doxa and regularly reports the scores of customer satisfaction with the Group. The interviews were made between February and December, by phone as to the customers of the Private Banking, Corporate Banking and Financial Advisors channels, with 574, 566 and 601 interviews respectively, and by phone and on the web as to Retail Customers, for a total of 48,163 interviews[6]. The questionnaires used were different according to the channel and structured on a like scale from 0 to 10, where 0 meant “not satisfied at all” and 10 “very satisfied”. The outcomes are then used to calculate the percentage of satisfied customers for each segment. The Group has used the Customer satisfaction scores obtained to design programmes for the improvement of processes, products, services and, in general, its relationship with customers.

% of satisfied Customers			2018	2017
Customers	%	Survey by e-mail and phone	90%	90%
Private Banking Customers	%	Survey by phone	95%	93%
Customers of Financial Advisors	%	Survey by phone	97%	95%
Corporate Banking Customers	%	Survey by phone	93%	90%

6 The survey perimeter included the only the Banks of the Group, namely Crédit Agricole Cariparma, Crédit Agricole CariSpezia e Crédit Agricole FriulAdria, excluding the customers acquired from the Fellini Banks (Rimini, Cesena e San Miniato)

Development of a new system to listen to Customers, a programme of activities to obtain the opinion of all the Group's Customers in a multichannel mode

Streamlining processes, in order to ensure high service level at branches and easier and easier access to Customers

New relationship models, to ensure that Customers can always interact with the Bank in a bespoke and personal way, and choose, at any time, their preferred interaction

RESPONSIBLE LENDING AND ACCESS TO CREDIT

In 2018, the **Mutuo Agile** project was implemented, aimed at facilitating access to credit by households and reducing the time needed for home loan authorization and disbursement. The launch of this product went along with the release of an app for the integrated management of mortgage loan processing in the steps of relationship with Customers, creditworthiness assessment and finalization after authorization.

In order to further consolidate its leading position for mortgage loans, in the reporting year the Group developed **Mutuo Crédit Agricole**, which allows Customers to choose the type of rate among fixed rate, variable rate or variable rate with cap, and the flexibility options Skip Instalment or Suspend Instalment to cope with small contingencies. It also provides associated benefits, such as the e-bike to incentivize sustainable mobility, the first instalment paid for by the Bank, the "ZeroPensieri", i.e. no worries service for the certification and collection of documents free of charge. The innovation of the Crédit Agricole Mortgage Loan was awarded the 5 Excellent Flexibility seals, Top Product Range, Top Re-Mortgage, Top Conditions and TOP in the final indicator "Mortgage loans of Banks with Branches" by the Institut für Vermögensaufbau (IVA, a quality assessment independent corporation) and with the award given by OF Osservatorio Finanziario, as the best fixed-rate mortgage loan.

Thanks to the cooperation with Agos, the Group confirmed the adoption of the ABI-MEF "First Home Guarantee Fund" protocol, which favours access to credit by Customers, giving priority to young people, including "atypical" workers.

Crédit Agricole Leasing Italia developed a new credit scoring model within the wider project for the industrialization of its corporate processes, which ensures shorter time-to-yes, operational efficiency and more effective control on credit risk, both in the acceptance phase and in the monitoring phase. The model is based on the integrated use of data and information to

Since 2013, **Social Microcredit** provides individuals and households living in poverty or on the fringes of society, with low income capacity, who are resident, domiciled or work in the province of La Spezia with the possibility of obtaining a very subsidized fixed-rate loan with no bank commission due to support them in coping with contingencies.

Customers by channel [1] (G4 - FS6)		2018	2017	2016
Corporate	Loans (mln €)	3,736.4	2,662.6	2,817.8
	Funding (mln €)	3,814.9	4,830.4	3,271.8
	Indirect funding (mln €)	1,217.8	856.5	11,391.8
SMEs	Loans (mln €)	15,223.5	12,878.2	13,670.6
	Funding (mln €)	9,149.7	7,555.9	7,829.6
	Indirect funding (mln €)	1,694.3	1,405.1	1,551.3
Individuals	Loans (mln €)	19,951.2	17,290.6	15,922.8
	Funding (mln €)	27,617.8	23,106.1	23,553.1
	Indirect funding (mln €)	41,015.3	35,436.0	33,387.0
Big Dossier[2]	Loans (mln €)	6,291.8	5,132.8	4,477.3
	Funding (mln €)	1,070.8	1,930.0	1,411.3
	Indirect funding (mln €)	18,910.9	20,436.2	18,580.6
Total	**Loans (mln €)**	**45,202.9**	**37,964.2**	**36,888.5**
	Funding (mln €)	**41,653.3**	**37,422.4**	**36,065.8**
	Indirect funding (mln €)	**62,838.3**	**58,133.8**	**64,910.7**

[1] The volume figures regarding direct and indirect funding are not consistent with the same figures in the Financial Statements for the year of the Crédit Agricole Italia Banking Group because of the different classification methods used by the Group for management and accounting purposes respectively
[2] 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

Institutions portfolio		2018	2017	2016
Municipalities	Number	215	193	193
Regions and Provinces	Number	3	3	4
NHS agencies	Number	3	4	4
Schools	Number	516	435	428
Universities	Number	2	1	0
Consortia	Number	53	46	41
Association of mountain communities	Number	6	7	7
A.S.P. / IPAB	Number	45	44	47
Various institutions	Number	129	120	94
Total	**Number**	**972**	**853**	**818**

Customers in the Individuals segment (G4 - FS6) By segment		2018	2017	2016
Households	Number	1,420,002	1,191,977	1,175,501
	Loans (mln €)	17,913	15,617	13,591
	Funding (mln €)	10,410	8,555	8,331
	Indirect funding (mln €)	3,377	2,763	3,951
Affluent	Number	404,844	340,362	383,226
	Loans (mln €)	1,642	1,344	2,041
	Funding (mln €)	13,815	12,058	12,949
	Indirect funding (mln €)	25,452	22,637	20,221
Private Banking	Number	29,840	24,719	23,307
	Loans (mln €)	396	330	291
	Funding (mln €)	3,393	2,493	2,273
	Indirect funding (mln €)	12,186	10,036	9,215
Total	**Number**	**1,854,686**	**1,557,058**	**1,582,034**
	Loans (mln €)	**19,951**	**17,291**	**15,923**
	Funding (mln €)	**27,618**	**23,106**	**23,553**
	Indirect funding (mln €)	**41,015**	**35,436**	**33,387**

Customers in the Corporate segment (G4 - FS6) By segment		2018	2017	2016
Large Corporate	Number	1,558	1,364	1,203
	Loans (mln €)	3,736	2,663	2,818
	Funding (mln €)	3,815	4,830	3,272
	Indirect funding (mln €)	1,218	856	11,392
SMEs and Mid Corporate	Number	13,607	11,016	11,532
	Loans (mln €)	7,954	7,078	7,282
	Funding (mln €)	2,809	2,325	2,944
	Indirect funding (mln €)	587	485	495
Small Business	Number	220,501	180,503	239,471
	Loans (mln €)	7,270	5,801	6,388
	Funding (mln €)	6,340	5,231	4,885
	Indirect funding (mln €)	1,108	920	1,056
Total	**Number**	**235,666**	**192.883**	**252,206**
	Loans (mln €)	**18,960**	**15,541**	**16,488**
	Funding (mln €)	**12,965**	**12,386**	**11,101**
	Indirect funding (mln €)	**2,912**	**2,262**	**12,943**

Customers in the Individuals segment (G4 - FS6) By Geographical Area (*)		**2018**	**2017**	**2016**
Emilia-Romagna	Number of customers	551,975	374,942	383,338
	Loans (mln €)	3,674	2,692	2,598
	Funding (mln €)	8,847	5,807	6,506
	Indirect funding (mln €)	13,616	9,938	9,012
Lombardy	Number of customers	343,896	335,886	353,783
	Loans (mln €)	4,893	4,595	4,304
	Funding (mln €)	5,623	5,544	5,436
	Indirect funding (mln €)	9,103	8,872	8,561
Veneto	Number of customers	147,823	139,097	134,294
	Loans (mln €)	2,082	1,893	1,688
	Funding (mln €)	1,906	1,870	1,747
	Indirect funding (mln €)	2,734	2,779	2,464
Campania	Number of customers	133,511	137,022	142,087
	Loans (mln €)	1,313	1,275	1,217
	Funding (mln €)	1,963	1,999	2,015
	Indirect funding (mln €)	1,994	2,012	2,006
Friuli-Venezia Giulia	Number of customers	158,090	156,934	154,759
	Loans (mln €)	1,158	1,119	1,010
	Funding (mln €)	2,155	2,105	2,097
	Indirect funding (mln €)	3,516	3,525	3,393
Lazio	Number of customers	71,694	63,839	66,002
	Loans (mln €)	1,402	1,203	1,113
	Funding (mln €)	1,221	1,077	1,018
	Indirect funding (mln €)	1,290	1,236	1,249
Liguria	Number of customers	139,884	135,397	127,678
	Loans (mln €)	1,265	1,190	1,060
	Funding (mln €)	1,772	1,829	1,808
	Indirect funding (mln €)	2,796	2,663	2,435
Piedmont	Number of customers	115,485	116,967	123,741
	Loans (mln €)	2,026	1,892	1,630
	Funding (mln €)	1,521	1,603	1,683
	Indirect funding (mln €)	2,830	2,825	26,271
Tuscany	Number of customers	172,020	90,626	89,940
	Loans (mln €)	1,956	1,357	1,234
	Funding (mln €)	2,375	1,205	1,171
	Indirect funding (mln €)	2,893	1,479	1,437
Umbria	Number of customers	11,202	6,348	6,412
	Loans (mln €)	119	75	69
	Funding (mln €)	132	69	70
	Indirect funding (mln €)	140	107	106
Total	**Number of customers**	**1,854,686**	**1,557,058**	**1,582,034**
	Loans (mln €)	**19,951**	**17,291**	**15,923**
	Funding (mln €)	**27,618**	**23,106**	**23,553**
	Indirect funding (mln €)	**41,015**	**35,436**	**33,387**

(*) The breakdown is based on the location of the relevant branch

Individuals Customer sub-segment (Households, Affluent, Private Banking)		2018	2017
By age group			
0-20 years	Number	84,269	72,896
21-30 years	Number	151,258	130,640
31-40 years	Number	235,568	215,861
41-55 years	Number	521,677	451,748
56-65 years	Number	295,809	238,782
> 65 years	Number	487,780	387,506
Customers in the Individuals segment who are not natural persons	Number	32,647	26,542
TOTAL	**Number**	**1,809,008**	**1,523,975**
By relationship duration			
< 1 year	Number	100,032	N.a.
1-3 years	Number	183,600	N.a.
4-5 years	Number	152,793	N.a.
6-10 years	Number	281,137	N.a.
11-20 years	Number	377,569	N.a.
> 20 years	Number	698,658	N.a.
N.a.	Number	15,219	N.a.
TOTAL	**Number**	**1,809,008**	**1,523,975**

Customers in the Corporate segment by geographical area (G4 - FS6)		2018	2017	2016
Emilia-Romagna	Number of customers	71,609	47,887	58,211
	Loans (mln €)	5,863	4,206	4,312
	Funding (mln €)	2,961	2,164	2,098
	Indirect funding (mln €)	1,112	1,122	1,117
Lombardy	Number of customers	38,047	40,274	50,349
	Loans (mln €)	4,323	3,619	4,196
	Funding (mln €)	3,109	3,210	2,382
	Indirect funding (mln €)	313	292	10,825
Veneto	Number of customers	18,335	17,911	23,427
	Loans (mln €)	2,321	2,193	2,202
	Funding (mln €)	1,186	1,468	1,012
	Indirect funding (mln €)	180	189	189
Campania	Number of customers	19,216	19,708	25,632
	Loans (mln €)	520	572	556
	Funding (mln €)	699	918	855
	Indirect funding (mln €)	34	35	49
Friuli-Venezia Giulia	Number of customers	17,643	17,531	25,628
	Loans (mln €)	1,430	1,485	1,645
	Funding (mln €)	1,299	1,308	1,429
	Indirect funding (mln €)	353	268	277
Lazio	Number of customers	10,296	8,641	10,883
	Loans (mln €)	908	872	810
	Funding (mln €)	1,133	1,090	1,096
	Indirect funding (mln €)	40	35	59
Liguria	Number of customers	11,619	11,266	21,092
	Loans (mln €)	867	821	963
	Funding (mln €)	566	649	691
	Indirect funding (mln €)	119	107	116
Piedmont	Number of customers	13,717	14,156	19,043
	Loans (mln €)	869	737	789
	Funding (mln €)	1,022	995	1,141
	Indirect funding (mln €)	226	77	108
Tuscany	Number of customers	29,454	14,179	16,546
	Loans (mln €)	1,613	947	934
	Funding (mln €)	856	531	365
	Indirect funding (mln €)	515	130	196
Umbria	Number of customers	2,854	1,330	1,395
	Loans (mln €)	142	88	82
	Funding (mln €)	69	53	32
	Indirect funding (mln €)	14	7	7
Total	**Number of customers**	**235,666**	**192,883**	**252,206**
	Loans (mln €)	**18,960**	**15,541**	**16,488**
	Funding (mln €)	**12,965**	**12,386**	**11,101**
	Indirect funding (mln €)	**2,912**	**2,262**	**12,943**

Operating leases (GRI - FS6)		2018	2017	2016
Portfolio	K€	676,471	593,755	545,365
Amount financed	K€	363,644	312,482	272,881
Motor vehicle leases (G4 – FS6)				
Portfolio	K€	153,548	149,820	131,703
Amount financed	K€	77,799	80,121	78,601
Real estate leases (GRI – FS6)				
Portfolio	K€	846,074	872,911	994,651
Amount financed	K€	115,232	86,243	64,988
Boat leases (GRI – FS6)				
Portfolio	K€	57,870	56,993	41,338
Amount financed	K€	39,437	42,734	25,481
Energy leases (G4 – FS8)				
Portfolio	K€	247,755	270,309	286,350
Amount financed	K€	41,212	20,057	17,967

Energy leases (G4 – FS6; G4 - FS8)		2018	2017	2016
Portfolio				
Wind farms	K€	36,149	33,904	33,963
Biomass plants	K€	9,439	10,612	12,181
Cogeneration plants	K€	4,549	6,799	10,162
Photovoltaic plants	K€	128,800	150,573	161,969
Hydroelectric power plants	K€	68,818	68,421	68,074
% over total loans				
Wind farms	%	1.82%	1.74%	1.70%
Biomass plants	%	0.48%	0.55%	0.61%
Cogeneration plants	%	0.23%	0.35%	0.51%
Photovoltaic plants	%	6.50%	7.75%	8.10%
Hydroelectric power plants	%	3.47%	3.52%	3.40%
Amount financed				
Wind farms	K€	3,004	9,463	9,575
Biomass plants	K€	23,455	1,929	0
Cogeneration plants	K€	3,106	520	1,183
Photovoltaic plants	K€	160	145	232
Hydroelectric power plants	K€	11,488	8,000	6,977
Number of projects financed				
Wind farms	Number	11	5	22
Biomass plants	Number	3	5	-
Cogeneration plants	Number	1	1	2
Photovoltaic plants	Number	2	3	3
Hydroelectric power plants	Number	3	2	3

Leasing Customers by geographical area (GRI - FS6)		2018	2017	2016
Portfolio				
Lombardy	K€	534,229	515,059	532,551
Piedmont	K€	155,398	149,675	167,251
Valle D'Aosta	K€	13,182	12,079	15,687
Liguria	K€	81,107	84,743	85,854
Total Northwest Italy	K€	783,916	761,557	801,343
Veneto	K€	221,026	194,521	174,265
Trentino Alto Adige	K€	37,056	37,604	33,790
Friuli Venezia Giulia	K€	106,000	101,368	110,786
Emilia-Romagna Region	K€	444,576	445,280	477,782
Total Northeast Italy	K€	808,657	778,772	796,623
Tuscany	K€	115,257	124,362	124,604
Umbria	K€	11,447	12,293	13,060
Marche	K€	25,480	21,473	10,235
Abruzzo	K€	5,591	5,517	5,592
Lazio	K€	115,591	119,118	123,829
Total Central Italy	K€	273,366	282,763	277,319
Molise	K€	5,786	7,024	6,307
Campania	K€	82,523	81,139	84,673
Calabria	K€	213	125	281
Basilicata	K€	5,009	4,368	5,335
Puglia	K€	3,338	6,584	6,062
Sicily	K€	4,665	7,477	6,835
Sardinia	K€	11,431	11,919	12,458
Southern Italy and Islands Total	K€	112,965	118,636	121,951
Italy Total	K€	1,978,904	1,941,729	1,997,237
International transactions	K€	2,815	2,059	2,170
Total portfolio	**K€**	**1,981,718**	**1,943,787**	**1,999,406**
Amount financed				
Lombardy	K€	154,880	128,336	106,909
Piedmont	K€	67,965	44,096	31,008
Valle D'Aosta	K€	1,498	5,000	0
Liguria	K€	20,124	21,988	23,408
Total Northwest Italy	K€	244,466	199,420	161,325
Veneto	K€	83,721	88,875	51,645
Trentino Alto Adige	K€	5,192	2,867	9,712
Friuli Venezia Giulia	K€	40,099	33,755	22,979
Emilia-Romagna Region	K€	120,436	121,675	97,162
Total Northeast Italy	K€	249,447	247,172	181,497
Tuscany	K€	32,094	36,164	31,478
Umbria	K€	5,864	4,336	5,461
Marche	K€	1,944	5,879	19,248
Abruzzo	K€	657	2,052	3,203
Lazio	K€	29,750	18,183	20,022
Total Central Italy	K€	70,307	66,614	79,413

Leasing Customers by geographical area (GRI - FS6)		2018	2017	2016
Molise	K€	144	725	2,519
Campania	K€	38,886	26,429	30,396
Calabria	K€	160	133	0
Basilicata	K€	2,791	19	51
Puglia	K€	774	263	3,066
Sicily	K€	1,250	681	848
Sardinia	K€	148	182	801
Southern Italy and Islands Total	K€	44,153	28,431	37,682
Italy Total	K€	608,374	541,637	459,917
International transactions	K€	28,950	0	0
Total amount financed	K€	637,324	541,637	459,917
Number of Customers				
Lombardy	Number	2,100	1,998	2,065
Piedmont	Number	848	752	750
Valle D'Aosta	Number	4	2	4
Liguria	Number	507	508	484
Total Northwest Italy	Number	3,459	3,260	3,303
Veneto	Number	958	883	885
Trentino Alto Adige	Number	66	68	69
Friuli Venezia Giulia	Number	853	825	848
Emilia-Romagna Region	Number	1,871	1,756	1,750
Total Northeast Italy	Number	3,748	3,532	3,552
Tuscany	Number	676	655	661
Umbria	Number	74	60	59
Marche	Number	40	38	39
Abruzzo	Number	29	27	26
Lazio	Number	414	406	405
Total Central Italy	Number	1,233	1,186	1,190
Molise	Number	11	10	8
Campania	Number	632	603	599
Calabria	Number	9	7	6
Basilicata	Number	8	8	9
Puglia	Number	20	20	23
Sicily	Number	16	18	17
Sardinia	Number	14	12	14
Southern Italy and Islands Total	Number	710	678	676
Italy Total	**Number**	**9,150**	**8,656**	**8,721**
International transactions	**Number**	**4**	**2**	**2**
Total number of Customers	**Number**	**9,154**	**8,658**	**8,723**

SUPPORT TO BUSINESSES AND TO THE AGRI-FOOD SECTOR

The Crédit Agricole Italia Banking Group intends to promote the competitiveness of the businesses in the communities it operates in, fostering the development of the entrepreneurial fabric in a sustainability perspective. Based on this logic, in 2018 projects were started in cooperation with some local and national partners, and several meetings were held with Trade Associations, in order to strengthen the relationship with them, respond to the requests made by communities and businesses.

Corporate Customers by sector (G4 - FS6)		2018	2017	2016
Agriculture, forestry and fishery	Loans (mln €)	2,293	2,017	1,880
	Funding (mln €)	619	506	448
	Indirect funding (mln €)	82	68	93
Trade	Loans (mln €)	2,518	1,962	1,997
	Funding (mln €)	1,666	1,318	1,085
	Indirect funding (mln €)	504	193	197
Construction and real estate	Loans (mln €)	2,298	2,085	2,355
	Funding (mln €)	1,119	1,018	687
	Indirect funding (mln €)	218	118	123
Manufacturing	Loans (mln €)	5,308	4,536	4,313
	Funding (mln €)	2,414	2,127	2,170
	Indirect funding (mln €)	787	715	736
Services	Loans (mln €)	5,078	3,547	4,419
	Funding (mln €)	3,592	3,908	3,525
	Indirect funding (mln €)	612	417	596
Other sectors	Loans (mln €)	1,466	1,394	1,524
	Funding (mln €)	3,555	3,510	3,186
	Indirect funding (mln €)	709	750	11,198
Total	**Loans (mln €)**	**18,960**	**15,541**	**16,488**
	Funding (mln €)	**12,965**	**12,386**	**11,101**
	Indirect funding (mln €)	**2,912**	**2,262**	**12,943**

Among the most important projects in 2018, worth mentioning are the activities driven by loans through the Guarantee Fund, which facilitates access to credit and support to businesses. In its capacity as direct intermediary, the Group promoted the agreement signed with the European Investment Fund (EIF), thanks to which, in 2018, several transactions were carried out to the benefit of innovative enterprises; Thanks to the "**Pre-authorized**" initiative, addressed to the customers of the Mid-corporate Markets, the Crédit Agricole Italia Banking Group made available a set of loans to be used both for short-term and medium/long term needs and a set of loans at easy terms in order to support, with fast and transparent tools, investments of the most deserving companies, speeding up loan authorization. In 2018, the initiative involved about 200 companies for a total value of over €180 million.

Support for the company's financial needs continued with the "**Capital Equipment Loans**", intended to increase the competitiveness of the manufacturing system and to foster new investments. As regards internationalization, in addition to participation in missions abroad that yielded important foreign investments to customers, the Group consolidated its partnership with Altios, a leading player in assisting companies that start to do business abroad, which supported our customer companies in all the steps of their development on an international scale, from their first operations in the target market to the setting up and management of a permanent establishment.

The synergy with the Group's Investment Bank in Italy, within the "Itaca" project, resulted in a better, combined and complete range of products and services for the Mid-Corporate segment, closer control and stronger relations with customers that are in top management positions and strong development of the synergies between the entities of the CA Group in Italy,

The cooperation with **leading Confidi (Italian mutual loan-guarantee consortia)** continued aimed at fostering access to credit by the companies based in the communities the Group operates in and, at the same time, new agreements were signed with **Trade Associations**, including the "Resto al Sud" initiative, in agreement with ABI – Invitalia, which supports young people - between 18 and 35 years old and residing in Southern Italy - that want to start a new business there. It provides for subsidized loans that, along with public grants, are going to cover up to 100% of the investment expenses. As at the reporting date, agreements were being signed with some Universities, which provide also for tuition loans.

Once again reasserting its constant support to SMES, the Group joined the EuReCa fund: the Emilia Romagna Region called the tender in order to provide investment subsidies to SMEs, so that, their turn, they can implement projects aimed at increasing the competitiveness and attractiveness of the Region's productive system. This initiative provides for various subsidies supporting productive investments by SMEs, such as the Region grants and bank loans to partially cover the investment directly backed by and with the public counter-guarantee of the EuReCa Fund.

In 2018, the **Multiscopo Starter Fund**, a subsidized financing initiative of the Emilia Romagna Region that set up a Fund supporting new businesses (and energy efficiency improvement). The Bank participates in a joint loan with own funds at subsidized interest rates agreed on with the Unifidi Regional Guarantee Consortium, the other part of which is given by the Fund at a zero interest rate.

In the last months of the reporting year, talks started with SACE Simest, the channel supporting SME growth on international markets with specific training. The talks were held with the shared objective of assisting Italian enterprises in their internationalization process, also through an adequate information campaign and the identification of projects deserving to be trusted and financed.

In 2018, the project to set up innovation hubs in Italy became operational, with the opening of the first hub ***Le Village*** in Milan. The initiative, which the Parent Company 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. A 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.

In 2018, a highly-specialized distribution model was established with the full operation of **another 7 Small Business Centers**, in order to provide Customers with more specialist advisory services, with a "Customer centrality" approach.

In the reporting year, the Group developed important initiatives aimed at providing support to the businesses based in the communities it operates in and to local economies, fostering growth and access to credit, while proving once again able to work in synergy with the main Local Public Institutions: The Bank joined **several subsidized financing regional initiatives aimed at supporting the entrepreneurial ideas and productive investments**, such as ArtigianCassa Liguria and Fondo Strategico Regionale Emergenza Ponte Morandi. It promoted the use of the Guarantee Fund for SMEs, aimed at **fostering access to financial sources by small and medium enterprises** by giving a state guarantee that is added to and often replaces the collaterals pledged by SMEs. In the reporting year, 32 loans were disbursed totalling Euro 7.1 million; It enhanced lending to Local Public Institutions, in order to support the implementation of actions in the public interest, such as those aimed at improving the existing infrastructure and services or at enhancing the Institution's efficiency.

Retail Banking products designed to deliver a specific social benefit (G4 - FS7)		2018	2017
"Conto associazioni"	Number	780	330
	Average loans €	1,789,947	10,294
	Funding € (average data)	3,122,120	40,693
"Conto associazioni No Profit"	Number	275	98
	Loans €	931,490	455
	Direct funding €	5,896,335	11,031,422
Scelgo Io – Women entrepreneurship	Number	20	30
	€	390,000	980,000
	%	0.01%	N.a.
Amount allocated for natural disasters/earthquake in Central Italy	Number	1,423	1,414
	€	15,929,754	13,805,072
	%	0.39%	N.a.
Emilia Romagna Region Multipurpose - Starter Fund	Number	20	N.a.
	€	715,893	N.a.
	%	0.02%	N.a.
Emilia Romagna Region EuReCa Fund	Number	14	-
	€	1,269,414	-
	%	0.03%	-
Campania Region "Resto al Sud"	Number	3	-
	€	154,658	-
	%	0.00%	-

Corporate Banking products designed to deliver a specific social benefit (G4 - FS7)		2018	2017	2016
FCG	Number	714	739	254
	€	146,770,783	160,866,702	84,253,131
SACE MLT operations	Number	16	25	43
	€	30,900,000	29,675,000	65,650,000
Monetary value of the listed products over the total value of Corporate Banking products	%	8.85%	9.49%	7.47%

The range of loans designed for enterprises was renewed adding a new function that allows automated printing of the document set. The automation started with FlexiBusiness and Assicuro and 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.

To provide incentives for acceptance by stores of card payments also for small amounts, the "Micropayments" campaign was launched, which provides for the refund of the commissions calculated on e-payments of small amounts made with Visa, Master-card and PagoBANCOMAT® payment cards.

Crédit Agricole Leasing Italia very effectively seized the opportunities resulting from the "Nuova Sabatini" capital equipment measure. The measure consists in 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, within the so-called Industry 4.0. Thank to these subsidies, in the reporting year CALIT signed 757 new contracts for a total amount of Euro 101.6 Mln, of which about Euro 37 Mln for Industry 4.0 loans.

In 2018, the Group proved faithful to its commitment to support businesses and Customers hit by natural disasters to resume their productive activities: thanks to the **Natural Disaster and Central Italy Earthquake Initiative**, about 1,400 contributions were paid out totalling over €15 million.

Along with Carim, the Crédit Agricole Italia Banking Group also acquired the crowdfunding donation www.eticarim.it portal, which promotes and foster financial support to Non-profit Organization based in the Rimini area. The Crédit Agricole Italia Banking Group has kept the "moral" commitment with the community with the awareness enhancing campaign "A present one month long", thanks to which it doubles the amounts donated on the platform. In 2018, total funds raised came to over Euro 291 thousand, intended to be used mainly in healthcare and disability, art and culture, education and training and family and children.

The Group was once again true to its commitment to support social initiatives, with the solutions designed for Non-profit Organizations, namely "**Conto Associazioni No Profit**", which is exempt from revenue stamp, no annual fee and the possibility to receive credit transfers at no expense, and "**Conto Associazioni**", both featuring complete functions and subsidized terms and conditions. On top of these, worth mentioning is "**Anticipo 5 per mille**".

Focus on the Agri-Food

In the reporting year, the Crédit Agricole Italia Banking Group signed a new agreement was signed with the European Investment Bank (EIB) providing for Euro 100 million worth of loans intended for SMEs and Mid-Caps, with a specific focus on the needs of agri-food sector players. This very special focus comes from the Parent Company Crédit Agricole S.A., the Banque Verte: Relying on the expertise of its French Parent Company, the Group has placed the Agri-food sector at the center of its strategy developing an approach able to combine innovation and proximity to the communities it operates. This commitment translated into contributions to several projects, both in the digital scope and with the supply of tailored-made products and services. The former scope includes the **AgriAdvisor** tablet app, which was developed in cooperation with the Parent Company Crédit Agricole S.A., which performs a diagnostic analysis of the short-term and medium/long-terms financial needs of farms and simulates a loan to be proposed within a bespoke advisory service. This scope also includes the implementation of the **Agilor.Net Italia** web platform, which, with a flexible and automated model, manages loans intermediated by partners that are manufacturers and dealers of agricultural machinery and equipment.

On the other hand, in the reporting year, a service model that is highly specialized for the sector became fully operational, with dedicated advisors that work exclusively in this sector, coordinated by specialists throughout the network and by a dedicated Service within the Central Department. Important agreements were signed aimed at supporting businesses that operate in the supply chain of leading players in the Italian agri-food sector, such as **Barilla**, **Orogel** and four of the five **Organizations of Producers** that signed the supply chain agreement for hazelnuts with Ferrero. Making the range even more complete, commercial offers were launched aimed at supporting target customers that are key for the agri-food system in its entirety, such as young farmers, with Orizzonte Giovani, and the organic farming sector, with **Orizzonte Bio**.

The Group has further strengthened its the partnership with Coldiretti - the main Trade Association in the sector - and the related Loan Guarantee Consortium (CreditAgri Italia) through specific joint initiatives, such as advanced payment of the subsidies pursuant to the EU's common agricultural policy or the participation in the XVII International Forum on Agriculture and Food, which was held in Cernobbio.

Agri-Food Focus		2018	2017	2016
Agri-Food Customers	Number	34,698	30,651	30,679
	Loans (mln €)	4,126	3,665	3,363
	Funding (mln €)	1,242	1,027	1,574
	Indirect funding (mln €)	412	443	N.a.

		2018
New Agri-Food Customers	Number	2,868
	Loans (mln €)	496
	Funding (mln €)	258
	Indirect funding (mln €)	Na

The support provided by Crédit Agricole Leasing Italia to the Agri-Food sector is substantiated by the over 574 contracts signed for an amount of approximately €72 million. The contract signed in the year increased vs. 2017 both in number, +52.7%, and in volumes +64%.

PROXIMITY TO CUSTOMERS AND COMMUNITIES (PROXIMITY BANK)

Being a proximity banking player means being a strategic partner of the communities where it operates: the Crédit Agricole Italia Banking Group interprets being a strategic partner not only as enabler of local economic growth, but also a player with a "physical" and widespread network in the communities. This is a distinctive feature of the Group's nature and was further reasserted with the acquisition of Cassa di Risparmio di Cesena, Banca Carim and Cassa di Risparmio di San Miniato, all deeply rooted in their respective communities. After the acquisition of the Fellini Banks and after implementing a strategy for efficiency enhancement on the geographical localization of the branches, the Crédit Agricole Italia Banking Group is now more widely spread: as at 31 December 2018, the Group had branches in 572 municipalities.

Local presence (G4-FS13)	Group Branches
Piedmont	58
Lombardy	164
Veneto	88
Friuli Venezia Giulia	87
Liguria	69
Emilia-Romagna Region	279
Tuscany	119
Umbria	10
Marche	9
Lazio	44
Campania	57
Italy	984

Local presence (G4-FS13)		2018	2017	2016
Number of branches	Number	984	1,010	815
Number of Small Business Centers	Number	61	49	26
Number of Financial Advisors Markets	Number	11	9	5
Number of Private Banking Markets	Number	25	22	21
Private Banking Sub-centers	Number	11	N.a.	N.a.
Number of Corporate Banking Markets	Number	25	21	20
Number of Mid-corp Banking Sub-centers	Number	14	N.a.	N.a.
Number of Large-Corp Banking Areas	Number	1	1	1
Access point in low-populated or economically disadvantaged areas (G4-FS13)				
Number of municipalities with<5000 inhabitants served	Number	135	135	138
Number of branches in municipalities with <5000 inhabitants	Number	142	142	147
	%	14%	14%	18%
Number of closed branches in municipalities with <5000 inhabitants	Number	0	8	5
Number of open branches in municipalities with <5000 inhabitants	Number	0	0	0

Thanks to the integration of the three Banks, the Private Banking channel of the Crédit Agricole Italia Banking Group could strengthen its customer-focused Proximity Bank Model, posting growth and increased competitiveness in its long-standing areas of operations. This led to the setting up of 3 new Private Banking Markets and to the strengthening of the team of Private Bankers in the area. In the reporting year, their business and behavioural integration was completed, in order to harmonize the existing expertise and best practices.

In 2018, for the first time ever an advertising campaign on savings was launched. In a time of market uncertainty, the Group reached out to **give certainty to its customers**, actually responding to the need for protection of savings and to be there as a strong and skilled partner able to assist its customers in their financial planning choices to ensure that they are affordable over time.

Therefore, it proved its proximity to its customers in actual fact, basing financial planning on clarity and transparency, also with tools that are free of charge but useful to better understand Asset Management: the financial education and communication newsletter “Sguardi su Risparmio e Investimenti” started to be sent and was designed to make customers aware of this.

The Communication activity to customers considerably increased in 2018, with the implementation of “**Scenari**”, the monthly newsletter on financial topics for the Private Banking Customers. At the end of the year, the Private Banking Channel played a leading role in the **Savings Campaign**, which focus on the specialist channels within the Group on the industry press and on digital media.

In a very complex economic scenario, the Crédit Agricole Italia Banking Group has been continuing its operations designing and distributing products and services with specific social benefit, also as regards prepaid cards.

In 2018, the Group reasserted and continued in its commitment to keep, in its product catalogue the solidarity cards **CartaConto Lega del Filo d’Oro** - Lega del Filo d’Oro is a non-profit organization that, for over 50 years, has been providing assistance to deafblind people in Italy - and **CartaConto Teatro Regio di Parma**, with which the instalments to repay the loan for the purchase of theatre season tickets. This catalogue was further extended with the new **FILSE CartaConto**, subsequent to the award of a tender called by the Liguria Region, which provides for a fuel voucher to be given to 4,937 recipients that reside in the Municipalities of Portovenere (SP) and La Spezia, in consideration of the environmental impact caused by the Panigaglia regasification unit. CartaConto FILSE is an advanced payment instrument that can be used ot receive and use a fuelling coupon and that comprises also the typical banking functions, with no activation cost and with no monthly fee for the first 24 months.

In 2018, important partnerships were established, such as that with the University of Parma - following the one already underway with the University of Venice - aimed also at fostering the link between university and the world of work and, thus, becoming a true value proposal to the community, through the improvement and integration of training and the adoption of innovative approaches. The project core product is **CartaConto Università di Parma**, the multiservice Card that, along with the typical banking functions, also comprises the functions of a Student Card, i.e. identification, recognition and access to university services. Also **Prestito D’onore** (loans to students) in cooperation with Fondazione Carispezia and Caritas Diocesana, is intended to support the growth and tuition of university students, with help in paying tuition fees and all other expenses associated with education.

Retail Banking products designed to deliver a specific social benefit		2018	2017
Associazione Promozione Sociale Ricrediti	€	138,100	62,886
	%	0.003%	N.a.
Solidarity CartaConto, University CartaConto and Sport Sponsorship CartaConto	Number of cards	21.613	N.a.

The Group's social commitment translates also in supporting populations hit by adverse events, in order to provide assistance with financial liabilities already in force and thus allowing them to face with more serenity such a difficult time. Specifically, to provide support to households and businesses impacted by the collapse of the Polcevera viaduct along the A10 motorway, occurred on 14 August 2018 in the Municipality of Genova, Crédit Agricole Carispezia gave its Customers the possibility to suspend payment of loan instalments, on a voluntary basis and free of charge, up to a maximum of 12 months, specifying that, during the suspension time, interest shall no accrued. The same possibility was given to the households and businesses that were hit by the adverse weather in Calabria, Emilia-Romagna, Friuli-Venezia Giulia, Lazio, Liguria, Lombardia, Toscana, Sardegna, Sicilia, Veneto and in the Provinces of Trento and Bolzano.

INVOLVING THE COMMUNITIES

Again in 2018, the Crédit Agricole Italia Banking Group proved its proximity and solidarity to the communities it operates in with initiatives for culture and restoration of art heritage, for identifying local best in class, as well as with social initiatives, especially for healthcare and social-assistance projects of excellence.

As regards support to culture, some of the main activities in 2018 were "Le meraviglie della Cattedrale", an exhibition of medieval published items, with a collection of 15 masterpieces from the archival and book heritage held at the Diocese Museums, and "Annibale un mito mediterraneo", which opened at the end of the year in the dungeons of Palazzo Farnese, with artifacts on display and with the multimedia interactive reconstruction of the events. Crédit Agricole Cariparma supports the Fondazione Nuovi Mecenati that sponsors important initiatives in favour of young French artists that operate in Italy. For many years now, the Bank supports also Festival Verdi, organized by Teatro Regio di Parma, benefiting from the tax advantages provided for by the Italian legislation ("art bonus"). The traditional initiative intended for the high schools of Piacenza continued to be supported, in cooperation with the "Libertà" newspaper, and aims at promoting newspaper reading in class. Parma is going to the 2020 Capital of Culture 2020: on this occasion, the San Francesco del Prato Church, dating back to the 13th century, is going to be reopened to the public after more than 200 years. Crédit Agricole FriulAdria supported the cultural association "Treviso Ricerca e Arte": the RE.USE project addressed the topic of environmental protection and Green Economy, with an exhibition and workshops on waste recycling, in cooperation with the local Trade Associations. Furthermore, the Bank supported the main cultural events in the Friuli Venezia Giulia and Veneto Regions, including Pordenonelegge, Dedica Festival, the Luchetta Prize and Euganea Film Festival.

The "Payroll giving" project of the Crédit Agricole Italia Banking Group also continued, which, at the initiative of the Bank's Joint Committee on Corporate Social Responsibility, involves employees, who donate the cents of their monthly pay amount, and the Bank, which donates the difference to make 1 Euro, in the collection of funds to be given to social responsibility projects, especially in favour of children. Thanks to this initiative, which was extended also to the colleagues of the recently acquired Banks, the collected amount was about €100 thousand and was given to support the research project "Treating epilepsy starts from diagnosis" organized by the Italian Epilepsy Federation, the Association for children that are surgery patients of Burlo Onlus, which works at the Burlo Garofolo Hospital of Trieste for psychological support to the families of children that need extensive surgery,and the Santobono Hospital of Naples, to purchase an ultrasound scan and a microscope for the Children Nephrology Unit. Again in the healthcare scope, Crédit Agricole Italia participated in the fund raising of APRO Onlus for the study and treatment of digestive system diseases. Crédit Agricole FriulAdria contributed to the support of research on Cystic Fibrosis through the Task Force Project.

Crédit Agricole Carispezia gave its contribution to support the "#Via dell'Amore perché" project, created by the Municipality of Riomaggiore to promote aware use and enjoyment of the main tourist attraction of 5 Terre, fostering sustainable tourism. Crédit Agricole FriulAdria proved its proximity to its communities through the support to initiatives in the agri-food sector, such as Ein Prosit, Cucinare, Hostaria and participation in the Vinitaly Trade Fair, and through the support to Trade Associations, including the Consorzio del Tarvisiano, the Friuli Venezia Giulia section of the Italian Association of Professional Real Estate Agents, Ascom Pordenone and the Employers' Association of Verona.

The Crédit Agricole Italia Banking Group substantiated its support to Italian sports and to the related values, such as striving for excellence and the development of young people's potential: in 2018, the Bank became the Official Bank and Top Partner of F.C. Internazionale Milano. Crédit Agricole Carispezia extended the agreement for the sponsorship of Spezia Calcio to the youth and women's teams. The 2018 Diego Dominguez Rugby Camp, which was held in Naples in cooperation with Rugby Scampia, gave the opportunity to 30 children selected by local clubs to spend a week in "day camp" with Diego Dominguez and his staff. Crédit Agricole Cariparma supported the All Inclusive Sport format promoted by the Dar Voce association, whereby 25 children with disability were included in sports teams of Emilia Romagna. Other initiatives in sports were promoted by Crédit Agricole FriulAdria and involved the youth sectors of Campus Rugby Bergamasco, Pordenone Calcio and Kioene Pallavolo Padova, also through a set of targeted activities to establish relationships with the businesses based in the community and with the community as a whole, in addition to different social inclusion projects organized by the Sports Culture and Solidarity Committee, which works to give a better quality of life to people with disabilities.

In 2018, the Crédit Agricole Italia Banking Group finalized an agreement for the donation of food products not used by the Company restaurant with charities that collect food for the poor.

Investments in the community (201-1)		2018	2017	2016
Sponsorships	%	61.5%	63.9%	60.0%
	€	2,533,729	3,135,478	3,263,455
Donations from the charity fund	%	38.5%	36.1%	40.0%
		1,588,678	1,772,659	2,147,461
Scopes of action (Sponsorships)				
Culture	%	4.9%	3.7%	3.0%
	€	124,554	115,300	116,986
Other	%	6.9%	3.6%	26.0%
	€	173,810	112,540	836,392
Sports	%	61.2%	67.5%	70.0%
	€	1,549,514	2,117,899	2,288,716
Financial	%	27.1%	25.2%	1.0%
		685,852	789,739	21,361
Scopes of action (Donations from the charity fund)				
Culture	%	65.6%	62.2%	62.0%
	€	1,042,400	1,102,060	1,317,700
Social	%	32.0%	30.9%	31.0%
	€	508,444	548,149	668,633
Sports	%	1.9%	3.2%	3.0%
	€	30,000	56,200	69,500
Other	%	0.5%	3.7%	4.0%
		7,834	66,250	91,628

Fight against active and passive corruption

RELEVANCE FOR THE BUSINESS OPERATIONS OF THE CRÉDIT AGRICOLE ITALIA BANKING GROUP

The Crédit Agricole Italia Banking Group uses a governance model structured on three ethical principles and on a fair and transparent way of doing business to prevent corruption risk. The Group's commitment to fight corruption, in all its forms, is implemented also with the controls performed by the Compliance Department, which constantly assesses and monitors proper application and impacts of the legislation against corruption in the Bank's processes and procedures; it also designs prevention and control policies. It is responsible for the controls on the effectiveness operational practices, in order to mitigate non-compliance risk and to upgrade the internal normative instruments. For this reason, this Department shall always be fully up to date with any developments in the applicable legislation, regulations, standards, code, self-regulations and professional and ethical standards, both national and in force within the Crédit Agricole Group; it also validates ex-ante the Group's regulatory framework and operational processes. Every activity concerning the design and sale of products and intended for internal or external parties shall be carried out in full transparency, fairness and lawfulness: thus, every stakeholder is able to make aware choices. The adopted approach, the supporting tools and the operational activities are identified as pertaining to the material topic of Integrity in governance processes and in business management, which emphasizes how relevant fighting corruption and properly managing business is in the Group's strategy.

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.

the "Policy on Fighting Frauds" sets out the guidelines on the prevention and control of fraud risk, in order to ensure effective management of these offences, to reduce the associated risks and to foster adequate corporate culture. The 2018 update has introduced, among other things, the "Regulation for the management of the process for fighting frauds".

Within the FRED Project - FIDES pillar - the Code of Ethics and the Code of Conduct of the Crédit Agricole Italia Banking Group were updated to set out the principles and values contained in the Ethics Charter of the Crédit Agricole Group. Among the main additions made, worth mentioning are a new specific anti-corruption section setting out the core principles regarding conflicts of interest, which the Group's Directors, Auditors, Employees and other Staff shall comply with. In 2019 improvement actions are also going to be implemented on this scope, in order to strengthen the risk and compliance culture as a distinctive feature and core factor of the Group's values.

Furthermore, 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 be 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. With the 2018 update of the Whistleblowing Policy, the Head of the Internal Audit Department was identified as an "alternative channel" of the Head of the Internal Whistleblowing system, made available to ensure independence, both as to solid-line and dotted-line reporting, and judgement impartiality of the body or role responsible for receiving, investigating and assessing.

The Lending Policies scope provide for the decision on whether to authorize every single loan application and request of use made by politically exposed persons, Countries subject to embargo or under surveillance and activities in the "sectors under surveillance" to be made by Central Bodies vested with the relevant responsibility and powers as in force, in at least the position of Head of Division within the Credit Department, after prior and favourable opinion given by the Anti-money-laundering/International Sanctions Services. In accordance with the Lending Policies, which shall be adequate to the Company's organizational 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.

In this regard, the “Policy for the management of compliance with anti-money-laundering and fight against terrorism financing obligations” is intended to prevent the Group and its resources to be involved, also if unaware, in anti-money-laundering and terrorism financing.

ACTIVITIES AND OPERATING PERFORMANCE

As regards anti-corruption, following an assessment by a Company specializing in fighting corruption, the Group has obtained the “Certification du dispositif de lutte contre la corruption”. (Certification of the arrangement for fighting corruption).

The Crédit Agricole Italia Banking Group has always considered training as essential for conveying 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 Compliance Department is in charge of training on this matter through courses, in accordance with the skills and seniority accrued. Other training activities are planned in cooperation with external highly-specialized companies or bodies.

In 2017, an annual training plan was prepared at Group level and was completed in 2018, which involved all the members of the Boards of Directors of all the Entities of the Group on the main regulatory pillars of compliance (compliance, financial security, international sanctions, responsibilities associated with the Directors' office in terms of supervision, confidentiality and prevention of conflicts of interest and market abuse). Among the different topics dealt with, corruption prevention is always and specifically focused on. Moreover, the rigorous approach adopted by the Group on corruption is communicated to everyone through the Code of Ethics and the Code of Conduct. Transparency and fairness in the design and sale of products are ensured through exhaustive and understandable communication and through continuous and constructive interaction with Customers. In 2018, no transactions were subject to risk analysis as regards corruption. In the reporting year, 6 penalties for non-compliance with applicable laws or regulations were imposed, for a total of Euro 18,511 and tax penalties for a total of euro 280,812.

Actions taken to respond to corruption incidents (205-3)		2018	2017	2016
Disciplinary measures for corruption incidents taken against employees	Number	0	0	0
Dismissal for corruption	Number	0	0	0
Total number of confirmed incidents of corruption	Number	0	0	0
List the different types of corruption incidents by employees				
Total number of confirmed incidents of corruption in which contracts with business partners were terminated or not renewed due to violations related to corruption	Number	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	Number	0	0	0

Training on policies and procedures For fighting corruption(*) (205-2)		2018	2017	2016
Scope				
MiFID training	Hours	131,380	8,542	219
Anti-money-laundering (AML)	Hours	3,610	6,759	11,735
Training on 231	Hours	478	712	3,127
Professional category				
Senior managers	Number of attended sessions	33	108	22
Junior Managers	Number of attended sessions	4,256	3,386	2,713
Professional area (job level)	Number of attended sessions	3,493	2,713	1,462
Senior managers	Number	24	56	22
	%	23%	60%	22%
Junior Managers	Number	3,072	2,595	2,064
	%	70%	66%	54%
Professional area (job level)	Number	2,393	4,364	1,277
	%	46%	42%	30%
By geographical area by total employees				
North West	Number	2,625	5,020	4,822
North East	Number	1,091	1,797	1,987
Center	Number	1,372	561	727
South and Islands	Number	401	490	575

(*) The 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)		2018	2017	2016
Legal actions pending during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant.	Number	-	-	-
Legal actions completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant.	Number	-	-	-

Staff Management

RELEVANCE FOR THE BUSINESS OPERATIONS OF THE CRÉDIT AGRICOLE ITALIA BANKING GROUP

People as drivers of change: this is the assumption on which the Group has chosen to build its Transformation Plan. A change bringing about new work and relationship methods within the Bank, on the background of an evolving scenario, with an increasing role of digitalization, but with people as the drivers of the hoped-for value creation. Internal communication and exchange of views, welfare and equal opportunities, work relationships and development of human resources are the core topics representing the human resources management within the Group.

POLICIES ON THIS TOPIC

In order to make real a Business Plan that speaks of concepts such as change and innovation, the Group cannot but make everyone part of the transformation process. It does that with specific training and managerial development programmes, or initiatives aimed at increasing the skills of all its resources, which specifically cover Change Management, the relationship with customers, Digital Culture and Commercial Approach.

The aforementioned programmes are combined with projects aimed at attracting the best talents on the market and to develop in-house ones.

The people of the Group are provided with tailor-made career plans and crosswise paths that foster their professional growth. Thanks to the Group's international scope, its people can benefit from exchange programmes in Italy and abroad, making the most of intra-group synergies. The Alisei 2020 guidelines, which are a structured listening, development and assessment scheme, set out the principles of human resources management: it is an initiative in which people are the key players in their own professional development. It uses tools based on listening, development and assessment, exchange of views, benchmarking and sharing services and comments that facilitate full knowledge of colleagues and foster the building of a transparent and cross-wise path of growth. Alisei 2020 is part of the wider framework of the Ambizione Italia 2020 Medium Term Plan.

Therefore, quality services rest on the specific skills of the people of the Group: in this regard, in 2018, the "Policy on the knowledge and competence requirements for Staff members engaged investment services" was approved; it was prepared in compliance with Directive 2014/65/EU (MiFID II), with the Guidelines of the European Securities and Markets Authority (ESMA/2015/1886) and with the Regulation on Intermediaries adopted by CONSOB with resolution no. 20307 of 15 February 2018.

The Crédit Agricole Italia Banking Group has designed and formalized its process to verify that the knowledge and competence requirements are met by the staff members involved in the provision of advisory services, in the provision of information on financial instruments, investment services or ancillary services and in the corporate processes concerning investment services provision of information. The policy exhaustively sets out also the process for the supervision, through ex-ante and ex-post controls on the work and doings of people that do not meet the regulatory requirements to operate independently.

ACTIVITIES AND OPERATING PERFORMANCE

In the Crédit Agricole Italia Banking Group everything revolves around people: they are the main axis, the bearers of the proximity and innovation values that are the Group's distinctive features. The quality of human capital mirrors the quality of the service. This is the reason why the people are the core and center of the Group's evolution and activities; they are provided with specific training, career plans and crosswise paths that are but the first step on the way to transformation.

Breakdown of Staff		2018	2017	2016
Employees as at 1 Jan 2018	Number	8,146	8,269	8,195
New recruits	Number	228	326	191
New recruits subsequent to the "Fellini Combination"	Number	1,905	0	0
New recruits for intra-group acquisition	Number	9	12	0
Dismissals	Number	401	450	116
Terminations (intra-group)	Number	9	12	676
Employees as at 31 Dec. 2018	Number	**9,878**	**8,146**	**8,269**

Breakdown of staff (102-8)		2018	2017	2016
By gender (31 Dec. 2018)				
Men	Number	4,984	4,192	4,264
Women	Number	4,894	3,954	4,005
By geographical area				
Italy	Number	9,873	8,142	8,266
NORTHERN ITALY	Number	7,945	6,844	6,944
Veneto	Number	601	604	582
Friuli Venezia Giulia	Number	926	947	988
Emilia-Romagna Region	Number	3,856	2,685	2,691
Lombardy	Number	1,502	1,520	1,570
Liguria	Number	626	641	638
Piedmont	Number	434	447	475
CENTRAL ITALY	Number	1,387	739	743
Tuscany	Number	901	373	371
Lazio	Number	378	332	337
Umbria	Number	60	34	35
Marche	Number	48	-	-
SOUTHERN ITALY	Number	541	559	579
Campania	Number	541	559	579
Abroad	Number	5	4	3
TOTAL	**Number**	**9,878**	**8,146**	**8,269**
Employee by qualification				
Graduate and post-graduate	Number	3,892	3,381	4,438
High school diploma	Number	5,650	4,467	6,203
Other	Number	336	298	394

Employees by position, age group and gender (405-1)		2018
Senior managers	Number	112
<30 years	Number	0
	%	0.0%
of which women	Number	0
of which women	%	0.0%
30 - 50 years	Number	26
	%	23.2%
of which women	Number	8
of which women	%	30.8%
> 50 years	Number	86
	%	76.8%
of which women	Number	9
of which women	%	10.5%
Junior Managers	Number	4,407
<30 years	Number	5
	%	0.1%
of which women	Number	1
of which women	%	20.0%
30 - 50 years	Number	2,101
	%	47.7%
of which women	Number	849
of which women	%	40.4%
> 50 years	Number	2,301
	%	52.2%
of which women	Number	853
of which women	%	37%
Professional area (job level)	Number	5,359
<30 years	Number	353
	%	6.6%
of which women	Number	195
of which women	%	55.2%
30 - 50 years	Number	3,136
	%	58.5%
of which women	Number	2,020
of which women	%	64.4%
> 50 years	Number	1,870
	%	34.9%
of which women	Number	959
of which women	%	51.3%
Protected categories/disabled (in the annual statement)	Number	617

Employees by position and age group		2017	2016
Employees by position			
Senior managers	Number	94	112
Junior Managers	Number	3,934	5,253
Professional area (job level)	Number	4,118	5,670
By age group			
<30 years	Number	328	421
30 - 50 years	Number	4,319	5,868
> 50 years	Number	3,499	4,746

Diversity of governance bodies and employees (405-1)		2018	2017	2016
Senior managers	Number	17	12	12
Junior Managers	Number	1,703	1,517	1,466
Professional area (job level)	Number	3,174	2,425	2,527
TOTAL	Number	4,894	3,954	4,005
Seniority				
<5 years	Number	1,043	800	1,043
6 - 20 years	Number	4,432	3,396	4,599
21 - 30 years	Number	1,986	1,816	2,498
> 30 years	Number	2,417	2,134	2,895
Employees by Contract type (102-8)				
Permanent contract	Number	9,726	7,973	10,811
- of which women	Number	4,807	*3,869*	5,154
Fixed term contract	Number	152	173	224
- of which women	Number	87	*85*	113
Training-work(102-8)				
Apprentices (of which permanent contracts)	Number	3	4	4
Atypical contracts	Number	0	0	1
Internship	Number	34	33	40
Apprentices (of which permanent contracts)	Number	4	1	1
TOTAL	**Number**	**41**	**38**	45
Part-time (102-8)				
Employees with part-time contracts	Number	1,262	981	1,020
- of which women	Number	1,213	*952*	986
Average age (years, months)	**Number**	**47.00**	**47.00**	**N.a.**

Compostion of management and control bodies (405-1)		2018
<30 years	Number	0
of which women	%	0%
30 - 50 years	Number	9
of which women	%	12,7%
> 50 years	Number	62
of which women	%	87,3%
Members of internal governance bodies by geographical origin		
Italy	Number	52
	%	73,2%
France	Number	19
	%	26,8%
Other Countries	Number	0
	%	0,0%

Return to work and job retention rate after parental leave (*) (401-3)		2018	2017	2016
Number of employees that applied for parental leave	Number	526	627	610
of which women	*Number*	*466*	*515*	*534*
Number of employees that are entitled to parental leave	Number	100%	100%	100%
of which women	*Number*	*100%*	*100%*	*100%*
Number of employees that returned to work after parental leave maintaining at least the same position	*Number*	512	615	603
of which women	*Number*	*454*	*504*	*531*
Number of employees that have returned to work after parental leave and are still employed 12 months after returning to work	*Number*	505	519	516
of which women	*Number*	*483*	501	497
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	%	99.21%	99.43%	99.81%
of which women	%	*99.18%*	99.40%	99.80%

(*) I The 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 (job level)		2018	2017	2016
Professional area (job level) staff	Number	5,359	4,118	5,670
Hours of overtime (for CAGS including those accrued at CRP/BPFA)	Number	320,390.76	235,625.66	304,868.39
Average hours of overtime per capita (professional area)	Number	59.8	57.2	53.8

Absences by type (*)		2018	2017	2016
Disease	dd	62,164.47	57,431	78,353
Injuries	dd	2,791.30	2,122	2,910
Trade union leaves (excluding special scheme leaves)	dd	9,610.52	9,620	12,928
Law 823/104	dd	15,763.17	13,735	18,380
Strike	dd	5.84	3	6
Other (paid and unpaid leaves)	dd	416.44	193	260
TOTAL	dd	**90,751.74**	**83,103**	**112,837**

(*) The data report the information on the personnel of the Fellini Banks as of the date of IT migration

Collective bargaining agreement and Trade union representation (102-41)		2018	2017	2016
Employees under national collective bargaining agreements	Number	9,878	8,146	8,269
	%	100%	100%	100%
Employees that are members of a trade union	Number	8,579	6,916	7,128

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)				
Recruitment rate	%	21.68%	4.15%	2.31%
By age				
<30 years	Number	195	168	85
30 - 50 years	Number	1,248	162	100
> 50 years	Number	699	8	6
By gender		2142		
Women	Number	1,093	128	67
Men	Number	1,049	210	124
By position				
Senior managers	Number	21	4	7
Junior Managers	Number	594	100	70
Professional area (job level)	Number	1,527	234	114
By geographical area (place of work)				
Campania	Number	13	6	9
Emilia-Romagna Region	Number	1,341	138	83
Friuli Venezia Giulia	Number	6	4	8
Lazio	Number	51	10	5
Liguria	Number	13	29	18
Lombardy	Number	52	84	43
Marche	Number	50	-	-
Piedmont	Number	20	17	7
Tuscany	Number	548	7	5
Umbria	Number	30	2	0
Veneto	Number	18	41	13
Dismissals (*) (401-1)				
Termination rate	%	4.15%	5.67%	1.40%
By reason				
Resignation	Number	81	55	55
Resignation for intra-group move	Number	9	12	0
Solidarity Fund	Number	171	290	0
Expiry of fixed-term contracts	Number	51	14	8
Retirement	Number	77	76	42
Other	Number	21	15	11
By age		410		
<30 years	Number	56	19	11
30 - 50 years	Number	81	52	44
> 50 years	Number	273	391	61
By gender		410		
Women	Number	153	179	35
Men	Number	257	283	81

Dismissals [*] (401-1)				
By occupational category				
Senior managers	Number	10	8	7
Junior Managers	Number	191	162	42
Professional area (job level)	Number	209	292	67
By geographical area				
Campania	Number	31	28	6
Emilia-Romagna Region	Number	154	142	49
Friuli Venezia Giulia	Number	26	42	7
Lazio	Number	6	20	2
Liguria	Number	23	23	7
Lombardy	Number	79	126	29
Piedmont	Number	34	42	7
Tuscany	Number	32	12	1
Veneto	Number	23	24	0
Umbria	Number	2	3	8

[*] The data report the information on the personnel of the Fellini Banks as of the date of IT migration.

In 2018, the **skills** of the Group's personnel were **mapped** using a set of hard and soft skills for the Distribution Network and for the Central Departments. The survey included self-assessment and assessment by the structure Head. The results were processed in order to design career paths, training programmes and for personal awareness of strong points and room for improvement.

Supporting the managerial developments of the Group's Heads of Structures, an important **coaching programme** started in cooperation with some external firms, addressed to about 100 managers and aimed at supporting the expression of leadership consistently with the Group's corporate values.

In the reporting year, a new model for professional assessment of staff was implemented; in addition to introducing shared behaviours to managerial assessment, this model also provided for the design and management of an "extended" proposal sharing process within each corporate Department, under the coordination and with the support of the HR Department.

		Population assessed through performance measurement in the year 2018	Population assessed through MBO in the year 2018	Population that could be assessed in the year 2018
Performance measurement (404-3)				
Senior managers	**Number**	**1**	**109**	**110**
Senior Managers – Women	Number	0	16	16
Senior Managers – Men	Number	1	93	94
Junior Managers	**Number**	**4,150**	**72**	**4,318**
Junior Managers – Women	Number	1,617	14	1,669
Junior Managers - Men	Number	2,533	58	2,649
Professional area (job level)	**Number**	**4,891**	**0**	**4,978**
Professional area (job level) - Women	Number	2,889	0	2,938
Professional area (job level) – Men	Number	2,002	0	2,040
COMPREHENSIVE TOTAL	**Number**	**9,042**	**181**	**9,406**

POPULATION ASSESSED IN THE YEAR(*)		2018	2017	2016
Senior managers	%	**100**	**100**	**97.8**
Senior Managers – Women	%	100	100	91.7
Senior Managers – Men	%	100	100	98.7
Junior Managers	%	**97.8**	**91.9**	**97.5**
Junior Managers – Women	%	97.5	94.0	97.3
Junior Managers - Men	%	97.8	90.6	97.6
Professional area (job level)	%	**98.3**	**86.3**	**97.0**
Professional area (job level) - Women	%	98.3	86.7	97.2
Professional area (job level) – Men	%	98.1	88.4	96.8
COMPREHENSIVE TOTAL	%	**98.1**	**86.2**	**97.2**

(*) 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

Promotions (404-3)		2018	2017	2016
Senior managers	Number	7	0	3
- of which women	Number	3	0	1
Junior Managers	Number	169	307	159
- of which women	Number	72	134	60
Professional area (job level)	Number	323	371	216
- of which women	Number	192	245	138

The Crédit Agricole Italia Banking Group continued to invest on the importance of the relationship with Customers, involving the Account Managers of the Distribution Network in activities enhancing their commercial approach: one was a Behavioural Finance project, intended to support the Account Managers in listening and analyzing their Customers' needs and objectives, in order to guide them to aware choices that are consistent and affordable over time. The relationship with Customers is supported by developing skills in establishing remote relationships through digital devices, taking the account manager-customer relationship to a true multichannel transformation. The "credit permanent training" process continued with class sessions focusing on the development in the applicable legislation, processes and apps to ensure high quality standards in the service. Managerial skills were the key topic of the "Green Life" project and of Assertive Communication training. Within the specialist channels, training continued for heads of structures and account managers in the Corporate Banking, Private Banking and Financial Advisors, in order to enhance technical and managerial skills, as well as the commercial approach of account managers. A considerable investment was made for the integration of the three acquired banks. Finally, training was provided on MiFID with special focus on the skills to listen to customers' needs.

Training (*) (404-1)		2018	2017	2016
Hours of training provided	**Hours**	**447,053**	**367,176**	**312,486**
of which to women	Hours	220,394	176,022	152,962
Average hours of training per employee	Hours	45.3	45.1	38
By position				
Senior managers	Hours	2,210	3,128	3,678
Junior Managers	Hours	246,782	212,606	170,361
Professional area (job level)	Hours	198,061	151,442	138,448
Average hours of training by position				
Senior managers	Hours	20.1	33.3	38
Junior Managers	Hours	56.1	54.0	44
Professional area (job level)	Hours	37.0	36.8	32
Average hours of training by gender				
Men	Hours	45.5	44.5	37
Women	Hours	45.1	45.6	38
By training method				
Class	Hours	168,600	195,970	204,543
Online	Hours	77,167	102,366	98,067
Virtual classroom	Hours	2,887	6,664	62
Remote training	Hours	198,339	59,010	463
Mentorship/Internship	Hours	60	3,165	9,083
By type				
Mandatory training	Hours	320,421	218,041	182,761
Funded training	Hours	12,465	390	13,260
Training to apprentices	Hours	0	5,338	15,894
Training costs				
Amount of financed training	**€**	**337,582**	**31,720**	**261,590**
Training abroad (Crédit Agricole training projects)				
Senior managers	Hours	0	0	180
Junior Managers	Hours	0	0	38
Professional area (job level)	Hours	0	0	0
Breakdown of training by topic area (**)				
Commercial	Hours	72,703	96,641	n.a
Insurance	Hours	112,272	93,735	n.a
Credit	Hours	6,273	6,389	n.a
International transactions	Hours	132	0	n.a
Finance	Hours	3,585	9,303	n.a
Legislation	Hours	208,149	136,915	n.a
Operational	Hours	23,439	10,676	n.a
IT /Foreign languages	Hours	2,251	4,557	n.a
Managerial	Hours	18,249	8,960	n.a

(*) The Group's employees that have been posted to foreign entities are not included in the reporting scope. The data do not include the information on the Fellini Banks for the period before their IT migration
(**) 2016 data are not comparable as in 2017 the classification standard was changed

Considerable commercial and technical-specialist training was provided to the entire Private Banking Network. This training, which was required to support the cultural change urged by the evolution in the competition scenario, was provided in cooperation with the Italian Private Banking Association (AIPB), focused also on MiFID 2 and will lead to the AIPB certification in 2019. Interaction and exchanges with the AIPB were once again constant and allowed effective analysis of the main trends in the sector, also with benchmarking among the main competitors.

In the reporting year, the Banks of the Group promoted internal communication initiatives aimed at promoting interaction with the top management, also with convivial events that fostered engagement, motivation and exchange of views between the top management and colleagues.

In 2018 over 120 meetings were held with the trade unions, which led to the signing of 8 Agreement valid for the Banking Group as a whole, including:

- the Integration Agreement for the new banks, whereby the company bargaining for the three recently acquired banks was agreed on with very modest geographical mobility through activity poles;
- the Agreement of the company bonus awarded to all employees, except for senior managers, based on the corporate performance achieved in 2017 and 2018. Since 2013, to further promote company welfare, the Bank has given the opportunity to receive the bonus in cash or to use for purchasing welfare goods and services. Welfare services include, for example, allocating the amount to complementary pension or healthcare schemes, or the refund of school and university tuition fees, purchasing leisure and wellbeing goods and services;
- the Agreement on voluntary redundancy (Solidarity Fund) of 200 colleagues at Group level, based on the lists made within the previous voluntary redundancy scheme in 2016, with two exit windows in November 2018 and April 2019, and with the same incentives and applicable regulations;
- the Agreement on video-surveillance whereby an innovative system may be installed in order to record footage with the FishEye technology at the occurrence of specific situations. This agreement, for the time being in a pilot form of one year, provides for the involvement of 30 branches.

The Crédit Agricole Italia Banking Group worked on welfare topics, focusing on wellbeing and work&life balance by extending the smart working scheme to a wide number of employees of over 1,000.

Within the Group, welfare relies on a very rich set of benefits provided for by the applicable national collective and company bargaining agreements, such as the allowance for family members with handicaps, measures for healthcare and complementary pension schemes, as well as flexible working hours and days, part-time schemes and leaves for nursing. In the last few years, work&life balance schemes, including smart working and easy learning, “pure” second-level welfare benefits, including the Company Day Care and the PSYA active listening service have been implemented, along with sensitivity, family proximity and gender initiatives, namely Family Audit and Artemisia.

In order to improve the employee experience even further, a Corporate Wellness/Wellbeing programme was implemented, focusing on people’s wellbeing with initiatives of wellbeing inside and outside the Company.

The programme is structures on 5 pillars, namely promotion of regular physical exercise, of awareness of healthy eating, prevention, training on stress management and work-life balance initiatives. In 2018, the “Let’s Donate the best of us” initiative started within the Parent Company, in cooperation with the Employees’ Recreational Club and the Parma Blood donors association AVIS within the Prevention pillar.

Moreover, the Group has reasserted its commitment to implement the activity Plan for the “Family Audit” certification, which acknowledges an organization’s commitment to adopting measures for the promotion of its staff’s work-life balance. It provides for a scheme of 3 and a half years with an activity Plan that the Crédit Agricole Italia Banking Group intends to complete by the end of 2019 and that focuses on work organization, corporate culture, communication, welfare, the family district, new technologies and female talent. In this scope, between 2017 and 2018, the Smart Working scheme, the sustainable mobility incentive scheme, a managerial training programme on communication, management style and smart manager were implemented, along with agreements to provide employees and their family members with training and other HR initiatives.

In 2018 Artemisia, a project started in 2010, continued in its action to support and proactively promote the development of gender management, through a series of integrated activities, aimed at professional growth of female staff and at developing a gender-oriented HR policy.

The gender management governance, as recently reorganized, comprises three projects:

- work-life balance;
- commercial services and products to support women entrepreneurship;
- development and training initiatives aimed at increasing the percentage of women in manager positions, the enhancement of diversity and inclusion.

In the reporting year, the second section of the Mentoring Programme started at a Group level, involving 25

Mentees, 21 of whom are women, chosen from among staff members with potential for development and 25 Mentors, members of the Top Management of all Crédit Agricole Entities in Italy or members of the Steering Committee of CA Italia.

The Mentorship scheme for the participants in the "Build Your Future" Graduate Programme also started, involving 14 Mentees and 14 Mentors of the Group.

The commitment undertaken by signing the "Women Employment Manifesto" promoted by the Valore D Association was translated into actual fact. The Manifesto, aimed at bridging the gender gap at work, consists of 9 points and sets out tools to enhance female talent in companies.

Together with Valore D, an association for the promotion of gender balance and of an inclusive culture in organizations, which supports the Bank in designing new inclusive organizational models providing training sessions every year for all the organizational levels, cross-company mentorship programmes and one-day training sessions were held.

Other initiatives to the benefit of employees regard mobility: Car-sharing and Car-pooling, plus the contract for the shuttle bus from Parma Railway Station to the city center to Green Life.

Average annual gross pay(*) (FTE) (405-2)		2018	2017	2016
Senior managers				
- men	Euro	203,552.89	209,204.85	202,487.00
- women	Euro	137,280.31	149,297.80	139,134.00
- Women/men pay ratio (**)	%	67.4%	71.4%	68.7%
Junior Managers				
- men	Euro	64,793.66	65,218.40	64,097.00
- women	Euro	57,915.89	57,848.58	57,522.00
- Women/men pay ratio (**)	%	89.4%	88.7%	89.7%
Professional area (job level)				
- men	Euro	40,645.76	41,210.43	41,819.53
- women	Euro	39,874.09	40,327.37	40,501.40
- Women/men base pay ratio	%	98.1%	97.9%	96.8%

(*) 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.

In the reporting year, a Climate survey was carried out involving the colleagues of all the Companies of the Crédit Agricole S.A. Group and of 34 Regional Banks. As regards the Crédit Agricole Italia Banking Group, the Survey showed, through the IER Engagement Index, very good results in absolute value, based also on strong pride in belonging to the Group and deep sense of cooperation and involvement.

Respect for human rights

RELEVANCE 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 within its operations.

Indeed, the Crédit Agricole Italia Banking Group respects the fundamental rights of the people that work on its behalf, enhancing and protecting their moral integrity and ensuring equal opportunities.

Special focus is placed also to lending to the defence sector, which has been identified as an area potentially overlapping the topic of human rights: in this scope, the Compliance Department assesses every single loan based on the object of the transaction, the type of counterparty and the political risk of the Country of destination.

POLICIES ON THIS TOPIC

The Code of Ethics of the Crédit Agricole Italia Banking Group expresses the fundamental principles and values governing the Bank's operations in terms of Human Rights. These principles and values are adopted and embraced by all the subsidiaries and are binding for all staff members, irrespective of the type of employment contract or work relationship. The Code of Ethics is based on and supports the UN Global Compact principles, which the Bank has been using since 2014.

As regards the management of loans to the defence sector and relations with companies operating in the arms and defence sector, the Crédit Agricole Italia Banking Group implements a specific policy governing these activities. The "Policy of the Crédit Agricole Italia Banking Group on lending, investment, provision of services to customers belonging to the arm and defence industry" is based on Crédit Agricole guidelines, supplemented with the indications of the applicable national legislation and in compliance with the expressed principles. It lays down the guidelines for the management of the authorizations to be issued by the competent Ministries, in order to ensure that such transactions are compliant with the foreign and defence policy of the Italian State and are always fully compliant with the Italian Constitution. Specifically, the policy rules out any loans, of any type, 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 . It also describes the processes for the identification and performance, as well as the responsibilities of the single roles and departments. The Compliance Department assesses every single lending transaction, considering the object of the transaction, the counterparty and the political risk of the country of destination of the loan.

The countries subject to embargo and the countries under surveillance are listed in the Lending policies for Businesses, Production Chains and Public Administration Bodies, which also set forth the so-called "Sectors under Surveillance", that is to say, the scopes where the Bank uses extra and specific care in all lending phases. Some of these sectors are considered potentially in conflict with the respect for Human Rights: therefore, they are subject to specific and thorough social impact assessment and management. The central decision making bodies, after obtaining the consent of the Anti-money laundering legislation Service, is responsible for assessing any loan authorization to controversial economic sectors, such as casinos, gambling, betting, trade of works of art, renewable energy, trade and processing of diamonds, collection and disposal of hazardous waste.

The International Sanctions Service ensures surveillance on compliance with the Policy on International Sanctions through effective screening and control of the counterparties operating in the identified scopes on Countries that are subject to embargo or surveillance measures. 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

Substantiating the stated commitment of placing people at the centre and core of the Group's transformation plan means, first of all, protecting their rights and ensuring the work environment of each one of them is favourable to his/her development. The Group gives substance to its commitment by embracing and implementing equality and equal opportunity principles and by enhancing individual diversity as an added value. To support this commitment, the Group provides constant training that informs its people on the policies and procedures concerning Human Rights in all their aspects.

Training provided to employees on the policies and procedures regarding all aspects of human rights Code of Ethics) (*) (412-2)		2018	2017	2016
Trained employees	Number.	369	494	614
	%	3.7%	6.1%	7.4%
Hours of training provided	ore	738	988	1,382

Total number of incidents of discrimination and corrective		2018	2017	2016
Number of discrimination-related complains/ disputes	Number.	0	0	0
Number of employees involved	**Number**	0	0	0
Incidents of discrimination (406-1)				
Incidents of gender-related discrimination involving employees	Number.	0	0	0
Incidents of age-related discrimination involving employees	Number.	0	0	0
Employees involved in incidents of gender-related discrimination	Number.	0	0	0
Employees involved in incidents of age-related discrimination	Number	0	0	0
Labour disputes				
Reporting entity as defendant	Number	28	12	20
Reporting entity as plaintiff	Number	7	8	9
Number of employees involved	Number	35	19	26
Disciplinary measures				
Reprimands	Number	69	74	78
Dismissals	Number	5	2	3
Information and awareness increase	Number	36	48	36

(*) The Group's employees that have been posted to foreign entities are not included in the reporting scope

Lending to the defence sector

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 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.

Number of applications (GRI 102-2)		2018	2017	2016
Favourable	Number	263	271	275
Not favourable	Number	1	2	4
Out-of-scope	Number	1	0	0
Value of favourable transactions	**€ mln**	**612,1**	**119,5**	**51**
Area (favourable only)				
Europe	Number	56%	61%	66%
Asia and Oceania	Number	24%	17%	15%
Africa	Number	5%	6%	3%
North America	Number	15%	16%	15%
South America	Number	0%	0%	2%

Environmental aspects

RELEVANCE FOR THE BUSINESS OPERATIONS OF THE CRÉDIT AGRICOLE ITALIA BANKING GROUP

In the wider range of commitments within which the Crédit Agricole Italia Banking Group plays the role of enabler of economic development, a Green activity specific sector stands out, supplying products and services, to individuals and businesses aimed at incentivizing energy saving and emission reduction solutions. Even though its core business does not entail any strong environmental impact, the Group monitors and is constantly committed to implementing measures to improve the direct environmental performances of the headquarters and premises of its entities. These topics together make up the Protection of the environment and promotion of the Green Economy material topic. In order to report the non-financial performances of the Crédit Agricole Italia Banking Group in compliance with D.Lgs 254/2016, this chapter contains also the description of the attention that the Bank pays to people in terms of occupational health and safety, which includes the mitigation of the “robbery” and “break-in” risks.

POLICIES ON THIS TOPIC

The criteria for the supply of products and services intended for the development of the Green Economy are set out in the Lending policies for Businesses, Production Chains and Public Administration Bodies, and they have become all the more important since the recent integration of ESG criteria in lending processes. Specifically, the document focuses on lending intended to support the renewable energy production chain and governs loans to the sections of energy production from non-renewable source. In the former case, it defines the lending parameters in accordance with the energy source used, including photovoltaic, biogas and solid biomasses, mini hydroelectric power plant and mini wind turbines, dams and hydroelectric power plants. In the latter case, it sets out the areas for improvement in the environmental performances generated by the investment as required in order for the lending to electrical power plants to be considered.

Specific directions are set for lending also as regards the mining industry, closely linked to the assessment and management of the risk and negative impacts on the environment. This industry includes mines and metals and oil and gas; in these cases the measures for preventing and reducing pollution and those to protect biodiversity are assessed. The “Sectors under surveillance” listed in the Group’s Lending Policies include “collection and disposal or hazardous waste”.

As regards occupational health and safety, every Company of the Group refers to the Risk Assessment Document approved by the Employer and prepared with the help of the Head of the Prevention and Protection Service and of the Competent Physician. This document is updated in case the production process or the work organization undergoes significant changes that are relevant for the workers’ health and safety.

It is a strategic direction document implementing the Company’s health and safety policy. This policy is based on the main principles given below:

- pursuing full protection of workers’ health and psychophysical integrity, as well as wellbeing, by fitting and providing high-quality work premises, equipment and processes;
- continuing in the direction laid down by Article 28 of Italian Legislative Decree 106/09, the assessment of both “risk factors” and “risk conditions”;
- pursuing a “precautionary principle” pursuant to Article 15 of Italian Legislative Decree 81/08, and to Article 2087 of the Italian Civil Code.

In 2018, the Risk Assessment Document of Crédit Agricole Italia was updated subsequent to the integration of the Fellini Banks.

The Crédit Agricole Italia Banking Group has strict controls in place also on the environmental impact, albeit not large scale, directly resulting from its operations. The Group rejects wastefulness, focuses on reducing polluting emissions, pursues responsible consumption of paper, water and energy and ensures that waste is managed in order to recycle all possible materials.

In 2018, this approach, which has long been promoted within the Group, was given formal regulation with the Property Energy Policy, which shall enter into force in the first months of 2019 and sets out rules and instructions for optimal management of buildings in terms of:

- air conditioning and air treatment;
- water heating;
- internal and external lights;
- management of Self-Areas;
- management of office machines.

Furthermore, a specific policy regulates the use of printers and, therefore, the resulting consumption of paper and ink.

ACTIVITIES AND OPERATING PERFORMANCE

The protection of the environment is a core principle of the responsibility policy implemented by the Bank, which, in this regard, promotes initiatives for monitoring its ecological footprint and for increasing awareness of environmental impacts, in accordance with sustainability and green innovation.

With this background, the range of mortgage loans has been structured by promoting the Green Economy, cooperation and partnerships with leading players, and by optimizing internal processes.

Among the products with strong and innovative green features, worth mentioning is **Mutuo Crédit Agricole**, which supports Customers in such an important project as the purchase or renovation of a home, with simple, good value and green solutions. The distinctive feature of these new products is the combined focus on both sustainability and affordability. Sustainability and affordability go side by side: there is a spread discount for all Customers that purchase a property in A/B energy classes or that renovate their home making it more energy efficient by upgrading it to A/B class, and Customers are given the option of choosing an e-Bike as their "green" benefit, in order to foster sustainable mobility.

In 2018, the Group continued to be engaged in the development of **Parma Progetto Energia**, an initiative designed and promoted with the Municipality of Parma with the objective of making homes more efficient improving their energy performance. Thanks to this project, which was developed also thanks to Crédit Agricole's proactive participation, Customers' specific needs could be understood, thus providing them with the possibility of obtaining a **dedicated loan at very good conditions**.

Within the **Energy section of the Multipurpose Fund** set up by the Emilia Romagna Region, the Parent Company financed the energy efficiency works made by enterprises in order to reduce consumption and to produce energy from renewable sources.

Retail Small Business products designed to a deliver a specific environmental benefit (G4 - FS8)		2018
Emilia Romagna Region Multipurpose - Energy Fund	Number	14
	€	1,026,581
	%	0.03%

In the reporting year, a special version of **Energicamente Gran Prestito** was promoted, the 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. In addition to this green loan, buildings can be upgraded 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.

The Group's portfolio of products with environmental purposes includes also Cresco Green, a loan designed for ESCOs (Energy Service Companies) supporting them in their projects to reduce energy consumption of enterprises and public or private institutions, which features a repayment schedule consistent with the benefits resulting from the energy savings generated by the investment.

Retail Banking products designed to a deliver a specific environmental benefit (G4 - FS8)		2018	2017
Mutuo Crédit Agricole - Promo 2018	Number of mortgage loans paid out from May to December 2018	17,993	-
	€	2,044,028,241	-
	%	50%	-
Energicamente Gran Prestito	€ mln	0.1	0.1
	%	0.003%	N.a.

Corporate Banking products designed to a deliver a specific environmental benefit (G4 - FS8)		2018	2017	2016
Energicamente Business	Number	11	38	18
	€	6,781,000	13,890,656	10,823,404
Monetary value of the listed products over the total value of Corporate Banking products	%	0.34%	0.69%	0.54%

In 2018, the Wealth Management structure was the leading player on the Green stage with the placing on the "Climate Action Green Notes" market of the first **total green bond** issued by CACIB and reserved to the Customers of the Crédit Agricole Italia Banking Group, which invests and therefore **supports companies and projects with strong environmental**, **social and governance performances** and operating in an industry that is key for the transition to an economy that is more respectful of climate and of the environment in general. The eligible sectors include renewable energy, energy efficiency, water and waste management and public transport. In line with the Green Bond Principles developed by the International Capital Market Association, Crédit Agricole CIB applies strict criteria in the selection of the Green assets in the Green Notes programme.

We have worked in synergy with the product companies of the Group to design **sustainability-focused products**, including Global Solution, a multiline unit-linked policy that comprises **funds that invest** in the **Green Economy** and allows the provision of a **service able to follow the Customer's needs** over time. This initiative is consistent with the Group commitment to sustainability and to "ESG" (Environmental, Social and Governance) matters.

Amount of Green Bonds subscribed (€)	
Institutions	**34,000**
CARISPEZIA	12,000
FRIULADRIA	22,000
Natural Persons	**17,476,000**
CARIPARMA	11,874,000
CARISPEZIA	1,338,000
FRIULADRIA	4,264,000
Legal Persons	**18,000**
CARISPEZIA	18,000
Grand total	**17,528,000**

Crédit Agricole Leasing Italia reasserted its commitment to promoting green initiatives in Italy with a loan of €6.2 million to Asja Ambiente Italia for the increase in capacity of the Alia Sclafani wind farm in Palermo. The initiative consisted in the installation of two new Gamesa G114 wind turbines with total nominal capacity of 5.125 MW, which joined the 30 turbines already in place, taking the total installed capacity of the wind farm to 30.625 MW. The annual production of renewable electricity of 56,500 MWh can meet the needs of about 69,000 people and prevents the emission of close to 23,500 metric tonnes of carbon dioxide.

Crédit Agricole Leasing Italia is the leading player in Italy in terms of leases in the renewable energy sector. Based on the data of the Study and Statistics Center of Assilea – the Italian Leasing Association – in November 2018 Crédit Agricole Leasing Italia ranked 1st in terms of amount financed in the renewable energy sector.

Energy leases (G4 - FS8)		2018	2017	2016
Portfolio				
Wind farms	K€	36,149	33,904	33,963
Biomass plants	K€	9,439	10,612	12,181
Cogeneration plants	K€	4,549	6,799	10,162
Photovoltaic plants	K€	128,800	150,573	161,969
hydroelectric power plants	K€	68,818	68,421	68,074
% over total loans				
Wind farms	%	1.82%	1.74%	1.70%
Biomass plants	%	0.48%	0.55%	0.61%
Cogeneration plants	%	0.23%	0.35%	0.51%
Photovoltaic plants	%	6.50%	7.75%	8.10%
hydroelectric power plants	%	3.47%	3.52%	3.40%
Amount financed				
Wind farms	K€	3,004	9,463	9,575
Biomass plants	K€	23,455	1,929	0
Cogeneration plants	K€	3,106	520	1,183
Photovoltaic plants	K€	160	145	232
hydroelectric power plants	K€	11,488	8,000	6,977
Number of projects financed				
Wind farms	Number	11	5	22
Biomass plants	Number	3	5	-
Cogeneration plants	Number	1	1	2
Photovoltaic plants	Number	2	3	3
Hydroelectric power plants	Number	3	2	3

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 keeps closely under control its direct impacts on the environment, with initiatives aimed to reduce its footprint in terms of energy consumption, emissions and use of resources. In this perspective, in 2018, the new management headquarters of Crédit Agricole Italia - ***Green Life*** - were completed; the complex has strong green features and has introduced a new way of living and conceiving the work place. The key word of the new complex is "sharing", sharing spaces, ideas and work. The new premises have an open space multifunctional concept and allow people to work together, fostering interaction, exchange of skills and cross-fertilization.

The buildings are surrounded by large lawns and by 700 trees recently planted, and border on a large park, for the employees to enjoy. Green, in addition to being the key feature of the new HQ, represents a strong commitment to respect the environment implementing state-of-the-art eco-sustainability solutions. "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, "energy class A", obtained the Leed Platinum certification, that is to say the USA top classification for building sustainability, in terms of energy efficiency, ecological footprint and healthiness of work and living environments. The main Green Life building features are listed below:

- geothermal plant with 800 kW capacity for estimated nominal saving of 430 MWh/year;
- photovoltaic plant with 575 kW capacity for estimated nominal saving of 700 MWh/year;
- night cooling system;
- wastewater recovery systems;
- reduction of waterproof surface in favour of more green areas;
- new office space for about 700 people on an area of approximately 11,500 m^2, including the company restaurant.

Furthermore, all works made in the year on branches and offices included full assessment of energy performances and were designed to reduce consumption and emissions. These measures all together contributed to reducing emissions by 15% since 2015, thus achieving and exceeding the FReD Demetra pillar objective, i.e. 10% reduction.

Materials used by weight or volume (301-1; 301-2)		2018	2017	2016
Recyclable materials	**Kg**	**1,034,827.4**	**956,648**	**1,021,355**
Paper	Kg	1,005,626.2	956,648	1,021,355
- of which recycled	Kg	895,337.5	850,509	875,688
- of which forms	Kg	110,288.7	93,102	129,978
Other (paper/cardboard stationery, plastic containers)	Kg	29,201.1	N.a.	N.a.
Non-recyclable material	**Kg**	**97,872.4**	**121,494**	**95,902**
Stationery	Kg	63,878.7	88,031	61,646
IT materials (especially toners)	Kg	33,993.6	33,463	34,256
Other (specify)	Kg	-	-	-
TOTAL	Kg	**1,132,699.7**	**1,078,142**	**1,117,257**

Energy consumption within the organization broken down by primary energy source (*) (302-1)		2018	2017	2016
Electric power	GWh	58,6	45	46
of which green	GWh	24,2	-	-
Natural gas	Thousands of m^3	2.816,9	2.129	2.092
Self-produced electric energy	MWh	154,3	184	150
Diesel fuel for heating	GJ	2.003,2	1.390	709
Diesel fuel for trucks (**)	GJ	28.720,9	28.337	28.371
Petrol (**)	GJ	260,6	295	542
District heating and district cooling	GJ	507,6	640,4	n.a.
TOTAL (***)	**GJ**	**339.570,1**	**265.645,2**	**267.454,8**

(*) This figure excludes consumption regarding the Group's apartment buildings and, therefore, reports only 40% of its property
(**) Diesel fuel for trucks data 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)		2018
Electric power	GWh	0.28
Natural gas	Thousands of m^3	0.53
Self-produced electric energy	MWh	154.30
Diesel fuel for heating	GJ	-
Diesel fuel for trucks	GJ	-
Petrol	GJ	-
TOTAL	**GJ**	**1,581.65**

GHG emissions (305-1) (*)		2018	2017	2016
Direct GHG emissions (scope 1 + scope 2)	tCO_2	26,647.0	20,604	20,610
of which from electric energy (scope 2) (**)	tCO_2	18,812.3	14,293	14,403
of which from natural gas	tCO_2	5,571.8	4,211	4,137.9
of which from self-produced electric energy	tCO_2	0	0	0
of which diesel fuel for heating	tCO_2	147.4	102.1	52.2
of which from diesel fuel for trucks	tCO_2	2,115.5	1,976.9	1,979.3
Of which from petrol	tCO_2	19	20.7	38.1
of which from GHG fluids, R410a gas	tCO_2	7	5	0
of which from GHG fluids, R407c gas	tCO_2	immaterial	11	11
Reduction of GHG emissions as a direct result of Climate Change initiatives (305-5)	tCO_2	138.5	N.a.	N.a.

(*) Emissions by primary source were calculated using the CO2 emission factors set forth in ABI guidelines updated to 2018

(**) Figure calculated with the "location-based" approach. Emission factor used 0.321 gCO2/KWh. Source ABI 2018 Guidelines

Total weight of waste by type (*) (306-2)		2018	2017	2016
Non-hazardous waste	t	881	876,9	112,8
Hazardous waste	kg	0	0	0

(*) The waste generated by the Fellini Banks is excluded. The Group is not responsible of waste disposal that is managed by municipal service (office waste) and authorised waste transports (special waste), which are disposed or recovered depending on type.

Total withdraw of water by source (303-1)		2018	2017	2016
Water mains	Thousands of m^3	275	218	159

The Crédit Agricole Italia Banking Group has contracted procurement of 100% of electric energy from renewable sources since 1 July 2018, with a reduction in CO2 emission by over 10%. Other initiatives that give evidence of the Group's commitment to environment protection regard people mobility. A contract was signed for a shuttle bus service from Parma Railway Station to the city center and to Green Life, Car-sharing and Car-pooling initiatives were promoted and the company car fleet was supplemented with hybrid vehicles. Moreover, the management of correspondence transport was rationalized in order to decrease the number of trips and, thus, the related emissions.

Occupational Health and Safety

In order to ensure higher protection to the people exposed to "robbery" and "break-in" risks, in 2018 the Crédit Agricole Italia Banking Group adopted a new set of precautionary security measures, which can be summarized with the main interventions listed below:

- extension of the perimetral electronic protection to other Cariparma branches of the Campania Retail Banking Area in order to prevent any attempted intrusion from sewer tunnels and neighbouring properties;
- installation of physical protections against the theft of ATMs at risk in the Campania Retail Banking Area;
- extension of anti-explosion protection to other ATMs of the Group assessed as high risk;
- connection of the anti-intrusion and video-surveillance security systems at the Fellini branches to the Group's Security Control Room;
- installation of anti-robbery and anti-break-in security systems at the Group's branches that were transformed into Agenzia per Te Branches.

Rate of injury		2018	2017	2016

Total injuries (*)	Number	118	97	120
Women	**Number**	**65**	**57**	**66**
Men	**Number**	**53**	**40**	**54**
Of which on the way to/from work	Number	79	70	84
Of which at work	Number	39	27	36
Of which fatalities	Number	0	0	0
Of which fatalities -women	Number	0	0	0
Injury rate = (total number of injuries in the year/total hours worked) x 1,000,000//worked hours		**8.76**	**7.92**	**9.74**
Injury rate - men = (total number of injuries in the year/total hours worked) x 1,000,000//worked hours		7.34	N.a.	N.a.
Injury rate - women = (total number of injuries in the year/total hours worked) x 1,000,000//worked hours		10.39	N.a.	N.a.
Severity index (working days lost *1,000/hours worked)		0.17	0.20	0.25
Severity index - men (working days lost *1,000/hours worked)		0.14	N.a.	N.a.
Severity index - women (working days lost *1,000/hours worked)		0.21	N.a.	N.a.
Absenteeism rate		**15.53**	**N.a.**	**N.a.**
Absenteeism rate - men		N.a.	N.a.	N.a.
Absenteeism rate - women		N.a.	N.a.	N.a.
Rate of occupational disease		**0**	**N.a.**	**N.a.**
Rate of occupational disease - men		0	N.a.	N.a.
Rate of occupational disease - women		0	N.a.	N.a.

(*) The 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		**2018**	**2017**	**2016**
Robberies	Number	16	12	9
Thefts	Number	13	5	0
Attempted thefts	Number	7	19	16
TOTAL	**Number**	36	36	25

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Independent Auditors' Report

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

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 December 31, 2018 in accordance with article 4 of the Decree approved by the Board of Directors on March 26, 2019 (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

EY S.p.A.
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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.

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 Banking 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 matters indicated in the article 3 of the Decree;
   - policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
   - main risks, generated or suffered related to the matters 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 entity Crédit Agricole FriulAdria S.p.A., which we have selected based on its 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 Banking Group for the year ended December 31, 2018 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Other Information

The comparative data presented in the DNF for the year ended December 31, 2016 has not been examined.

Milan, March 29, 2019

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

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

CONTACT DATA

Crédit Agricole Italia S.p.A.
Registered Office Via Università, 1 – 43121 Parma, Italy – Phone +39. 0521.912111
Share capital as at 9 April 2019 Euro 979,232,509.00 fully paid in – Entry number in the Business Register of Parma, Italy, Taxpayer Identification Number 02113530345, member of the Crédit Agricole Italia VAT Group, VAT registration number 02886650346. 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 Register of Banking Groups at no.